Summer 2010

Conway Commons: BOMA Real Estate Development Workshop

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Conway Commons

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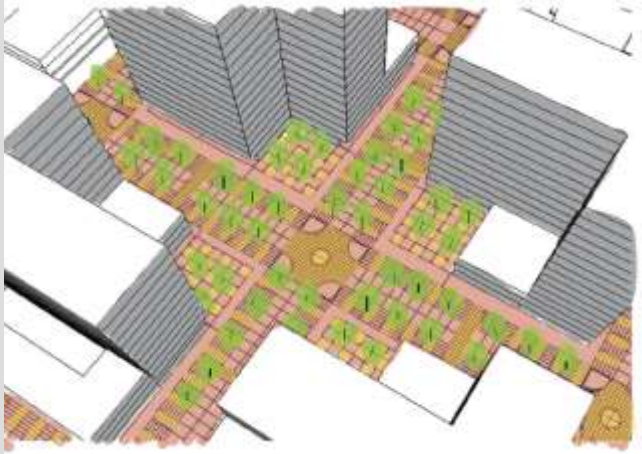


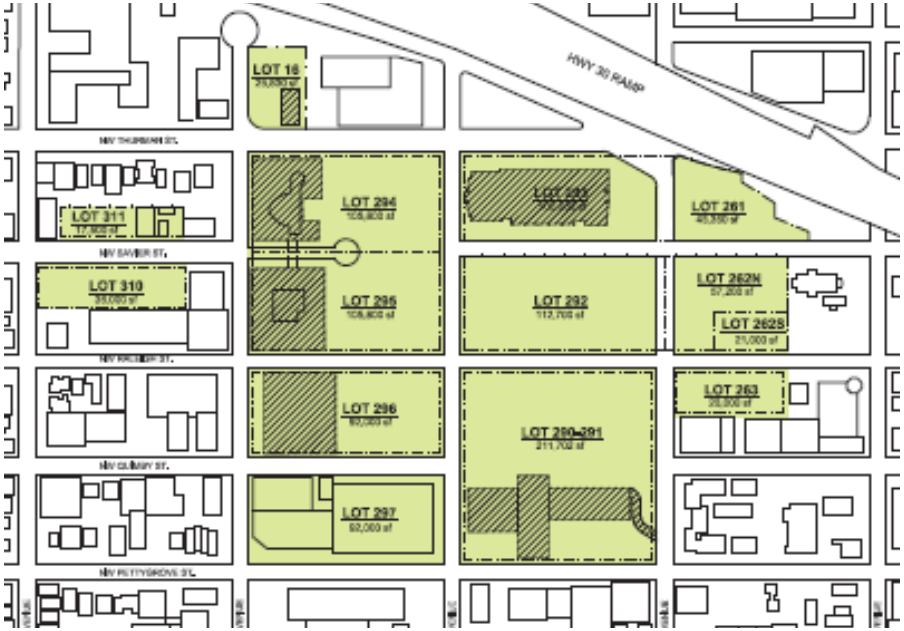
EXECUTIVE SUMMARY

Conway Commons will transform the historically industrial area of NW Portland, now largely surface parking lots, into a thriving mixed-use neighborhood that will provide opportunity for a truly diverse and prosperous urban neighborhood. It is a mixed-use project comprised of 3,763,000 SF of developable space and 3,769 parking spaces proposed for a 21-acre site owned by Con-way in NW Portland, This will be achieved by utilizing an innovative public park approach to the classic shared parking strategy of on-street parking, maximizing development density while minimizing cost.

Our plan is for the largest undeveloped site on the urban fringe of downtown, strategically located at the nexus between the burgeoning Pearl District, the trendy NW 23rd/21st neighborhood and the industrial heartland of Portland. This is a large-scale development of potentially 16 city blocks and over twenty-nine acres. We propose over 2,250 units of rental housing and 200 condominium units, 400,000 SF of new office space, hotel space comprised of up to 250 rooms, a 60,000 SF cineplex with 12 screens, 80,000 SF of retail anchor space in the form of an urban Target, a 40,000 SF New Seasons grocery anchor, 100,000 SF of retail space and 75,000 SF of restaurant space to complement the existing 650,000 SF of retail space that currently exists in the NW 23rd/21st neighborhood.

This is what we plan to do:

- Overcome cost prohibitive parking requirements to satisfy the current Con-way need and that of the new development by maximizing street parking, the most cost effective way to develop parking. To do this, we propose to extend the 200' x 200' block pattern that abuts the site at NW 19th Street to the east, to increase available area for street parking to triple on-street parking to 1,125 spaces in street parks, with a tree density equal to that of the Park Blocks. As parking contracts, the usability of the street parks expands. Additional parking will be achieved by selectively utilizing structured and multi-block underground parking to supplement the street parking in support of our final development program uses.



Parcel Map of site area

- Optimize and maximize the mix of uses to satisfy a program generating more than 5,300 spaces of gross parking demand with only a 3,800 space supply. A shared parking matrix illustrates optimal combinations of uses to determine the most effective allocation to take fullest advantage of available parking, This results in an increased building density by almost 30%, yet we use a weighted average parking ratio of slightly less than 1.0 spaces per 1,000 SF, even though individual uses, like retail for example, have an effective parking ratio of 3 per 1,000 SF, office uses 2 per 1,000.

- Address current economic obstacles to development with two strategies. The first proposes that Con-way utilize ground leases to hold on to the land throughout the development period, generating a growing income stream on increasing urban land values at very low risk to itself. Con-way has owned the land for 80 years and the low basis will allow it to hold the land as it increases to developed urban values. The opportunity to capitalize will occur as the land becomes more valuable over the course of the development, providing a very low risk strategy for Con-way and giving developers opportunity to move forward earlier with projects without needing to generate equity or debt to carry the upfront land costs.

BLOCK	TOTAL MKT LAND VALUE	AREA (SF)	$/SF	DIMENSIONS	EXISTING BLDGS (SF)	BLDG VALUE	$/SF
16	$860,660	26,830	$32	140 x 200	9,600	$216,460	$22.55
294	$5,066,030	105,800	$48	200 x 460	160,435	$18,444,000	$114.96
295	$6,504,580	105,800	$61	200 x 460	141,938	$5,225,800	$36.82
296	$4,637,950	92,000	$50	200 x 460	36,000	$2,289,600	$63.60
297	$3,795,360	92,000	$41	200 x 460	89,706	$9,066,430	$101.07
293	$4,884,830	100,066	$49	200 x 460	248,150	$53,081,790	$213.91
292	$7,920,640	112,700	$70	200 x 460	0	$0	
291-290	$5,858,130	211,702	$28	400 X 460	49,045	$9,506,850	$193.83
261	$2,250,280	46,360	$49	175x350/2	0	$0	
262N	$2,214,680	57,200	$39	L-shape	0	$0	
262S	$1,206,600	21,000	$57	4 residential lots	12,845	$2,957,760	$230.27
263	$957,960	26,000	$37		0	$0	
311	$294,720	17,500	$17		0	$0	
310	$1,278,710	36,000	$36	100 x 360	0	$0	
TOTAL	$47,731,130	1,050,958	$45		747,722	$100,788,710	$134.79

Current site information

- The second strategy to overcome current economic obstacles to development is to phase the project in such a way as to utilize the early phases of development to support and stimulate the later phases. With 3,763,000 SF of developable space we propose three phases.

Our proposal maximizes density utilizing this same process of incremental growth within the context of the ultimate goal: a successful large-scale development to benefit all of the stakeholders and the community at large.

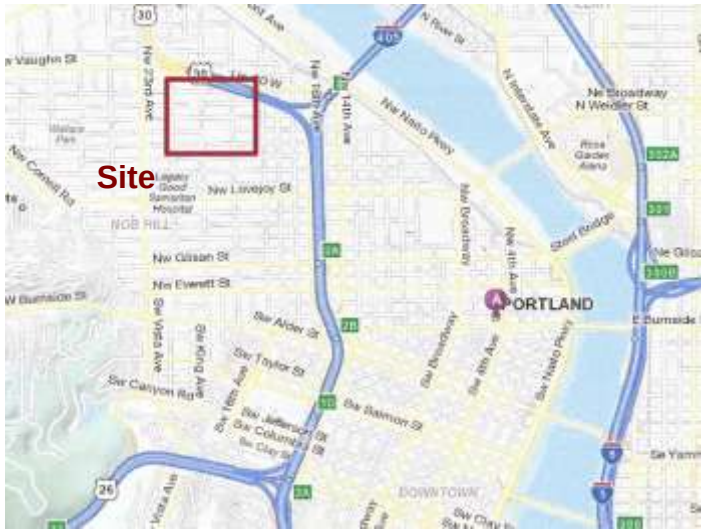
EXECUTIVE SUMMARY

The site has qualities that are worth noting, both good and challenging. Our plan has identified ways to capitalize on the advantages of the site while ameliorating the liabilities.

- SPACE: The large quantity of space enables us to build a network of park streets, 16 blocks of carefully mixed-uses and incrementally capture the highest urban land values. This is the largest undeveloped tract of land held by a single owner in the downtown area and the opportunity to capitalize on that over time is considerable. With a current FMV land value, as determined by the assessor, of $ 41 million, we estimate that at build out the land value will be conservatively, about $77 million and the taxable value will be over $730 million. We are recommending that Block 297 be purchased with funds from the sale of outlying blocks 310, 311 and 16. There will then be a total of 16 blocks and over 22 acres of developable land.
- PROXIMITY: The property is located between the Pearl District, and the active, distinctive specialty retail on NW 23rd and 21st Streets. It is within walking distance of both, but has its own character and identity. This proximity enables us to build on the active retail and street life of 23rd and 21st Streets with the mixed-use character of the Pearl District. The site also has very convenient access to I-405 and Route 30.
- MOMENTUM: Unlike South Waterfront, this is not a virgin neighborhood but rather one with a wide variety of urban amenities that includes parks, schools such as Cathedral on NW Couch and NW 17th, Chapman Elementary School on NW 26th Avenue, pedestrian friendly shopping on 23rd and 21st Avenues with grocers, restaurants, pubs, and the Coho Theater on NW Raleigh. The pump is primed: the retail on 21st is poised to continue north into the heart of the site. The Con-way blocks actually are adjacent to a variety of active uses that can easily develop and extend into this property as a natural growth of the area. It will not take a complete re-invention to pump energy into this development.
- JOBS: Jobs are here. Con-way itself employs 700 people. Montgomery Park is not far way with 850,540 SF of leased office space and 2,800 - 3,000 people working the building. Companies like Globe Lighting with 100 employees are right around the corner and the medical industry has a strong presence with nearby Legacy Good Samaritan Hospital employing approximately 2,000 people as well as clinics and medical supply facilities are all within walking distance.
- DIVERSITY: There are a variety of income ranges in adjacent neighborhoods which means that diversity in the housing stock will be supported as well as providing depth to the spending power of the residents.
- TERMINUS: The site has little through-traffic because of the barrier of I-405 and Highway 30. We use that to

our advantage with wider streets, more parking and slower speeds, making the street parks the ideal approach to providing parking, parks and changing the character of the neighborhood.

- TRANSITION: High parking needs and costs exist for Con-way and developers if the surface lots are replaced with traditional structured or underground parking. The approach to parking proposed here will mitigate that by maximizing available street parking to over 1,125 spaces which increase density at the lowest cost. Street parking is the most efficient form of shared parking and permits the maximum density onsite, particularly as parking ratios decline with greater urbanization.
- TRANSIT: There is minimal mass transit through the site. However, the streetcar is only two blocks away on Northrup Street and encouraging pedestrian mobility is an achievable goal of the project. We do not believe it is a good use of funds at this time to extend the streetcar. It may be in the future. The Number 17 TriMet bus does serve the site, running on NW 21st Avenue.
- CLIMATE: The economic climate, along with the scale of the project, requires a long-term perspective. A weak economy and large site precludes large-scale urban development at one time. Therefore, our incremental growth strategy permits development to start earlier in the process and as the market permits, without the developers having to bear the costs of paying now for urban land values and parking costs. The market will determine the project's uses, which may not all be foreseeable with specificity at this time. We believe that in this economy incremental growth is the most realistic approach and will, in fact, more likely achieve the desired result of a worthy investment that will be an asset to the city and continue to grow in a most sustainable way. This is a remarkable opportunity to satisfy the development goals of Con-way and simultaneously build toward Portland's goals in creating a dense, vital urban neighborhood that can fulfill its promise in a realistic and profitable way.



- SCALE: Current zoning does not support more traditional economically viable proposals that require high levels of expensive structured parking. High levels of density (6.1) are required with traditional multi-level underground parking to pay for and satisfy the demand for both the new program and Con-way's need for employee parking. Our approach to maximize street parking and then use that capacity to determine reasonable density will lead to a more economically viable development meeting density goals for the City with fewer parking spaces, but more efficient shared parking.

New network of Street Parks will create an urban amenity.

This is how it can be done.

KEY SOLUTIONS AND DEVELOPMENT STRATEGY

NETWORK OF STREET PARKS - OPTIMIZE STREET PARKING WITH SHARED STREETS

Shared parking has its foundation in the design strategy of shared streets or "street parks" that encourage the ultimate in flexibility of use, and creation of a 24-hour community. The streets in this area are local with relatively little traffic. Some streets dead end into the property and traffic travels very slowly. We are taking advantage of this to turn what is typically a liability into an asset, putting the "park" back into parking. A shared street is one which eliminates curbs creating a zone from building face to building face that is designed for vehicular traffic, parking, pedestrians, bicycles, landscaping and street furniture. It drains to the center of the street, utilizing landscaping and paving demarcations to delineate uses and create a park-like setting. We plan a tree density equal to that of the Park Blocks, which sustainably drains the streets while providing exceptional amenity. The streets will be true public spaces that can accommodate pedestrians, bicycles, vehicular traffic and parking, flexing as the need shifts during the time of day, year or development timeline.

Street parking is the lowest cost approach to develop parking, producing the most efficient net income stream. This will pay for a density of trees more akin to the Park Blocks than to

parking, which works with the parking spaces but provides a dense canopy of trees. Street parking is much more accessible to the public than parking garages, and designed in this way will be used for the widest array of uses at different times and places. Moreover, the street parks will immediately create an identity and character that will help stimulate further development.

Optimizing street parking and street use in this way increases accessibility to all uses by evenly distributing parking spaces, utilizing the least expensive construction method for parking and providing the most universally successful approach to shared parking, thereby minimizing the overall need for spaces.

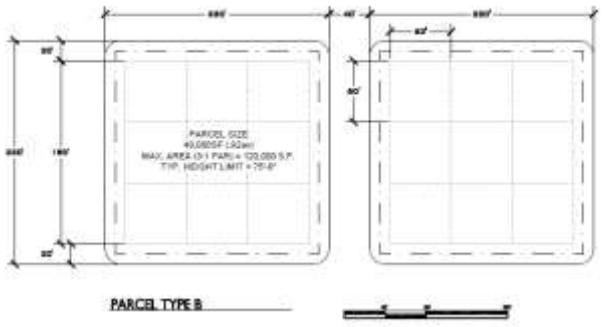
The strength of the streets will define the character of the neighborhood and allow the market to determine the best use of the parcels over time. This approach will also put development dollars where they have the most impact, tying the blocks together into a special urban neighborhood while allowing greater flexibility as markets change and mature. And in a future with potentially fewer cars, the streets could easily transform to nicely landscaped pedestrian, bicycle and mass transit corridors.

URBAN BLOCK DESIGN CONCEPT

We propose to reinforce a strong street network by scaling back the existing superblock pattern to continue the Pearl District grid that abuts this property at NW 19th Street, by extending the 200' x 200' street grid west of NW 19th Street. With increased street area we have increased available street parking by 275% with a design that will set the standard for the character of the neighborhood at the least cost, as well as provide a framework for incremental development occurring over the next 10 – 20 years.

MULTIBLOCK UNDERGROUND PARKING

Supporting the street parking will be a universal one-level underground parking garage selectively built throughout the development. The unique characteristic of the multi-block underground system is that uses can be mixed horizontally, at far lower cost and complication than vertical mixed-use, and yet provide more effective and efficient shared parking. One who parks in the structure can directly access office, retail, residential, hotel, restaurants and other uses above. Since various uses have different parking time demand peaks, empty spaces can most efficiently be used. The ga-



Urban block design concept utilizing 200' x 200' blocks with a 60' x60' grid.

rage is limited to one level to lower costs by avoiding temporary retaining walls and avoiding water table issues.

MODULAR DEVELOPMENT PARCELS - MARKET DRIVEN BUILDING FLEXIBILITY

At this moment in time, with the current economic climate, it is clear that this development will take time to be initiated and will occur over a number of years. We cannot pre-determine the market for space with prescient particularity, but we can create the strong framework in which the needs can be filled. We propose modular development parcels based on a 60' x 60' grid. This is derived from the logic of a structural bay accommodating parking as well as flexible use and building bays on the upper floors.

The universal module sets up a system for a finer grained development pattern to exist, allowing the market to drive the uses over time. Con-way will be able to sub-lease development parcels for different developer's needs within the framework of the overall development goals. The development time frame is long, and the uses and scales will be many. We selected a modular development parcel system so that market-driven uses and scales can be accommodated on almost any of the blocks and can change in an incremental way, a pattern similar to that which occurred in the surrounding northwest blocks over time.

OUTPARCEL/CONSOLIDATION STRATEGY

To strengthen the street network and fabric of the new development area we propose that the outlying blocks (Block 16, 310, 311) be sold to finance the purchase of Block 297. We also propose that single family lots on the south side of Block 262 be purchased. Consolidating the development and strengthening the block configuration will create a bigger impact and produce greater profit.

OPTIMIZED PARKING/DENSITY/ /PROGRAM

Current zoning allows a 3:1 FAR which will not allow an economically viable solution to accommodate Con-way's parking needs as well as provide enough parking for new development. By working toward density options by first maximizing on-street parking and selectively utilizing underground and structured parking, we tested options ranging from an FAR of 1.32 to 7.5. We have settled on an FAR of 4.0 averaged over the entire site, a decision based on a shared parking strategy driven by a time-use matrix. Program size and mix were determined by optimizing this matrix. Shared parking requires, and permits, mixed-uses. The uses that maximize the shared parking and density of the site, taking into consideration the 408,000 SF of office space that Con-way currently has, leaves us with 2,250 units of rental housing, 200 condominiums, 300,000 SF of new office space, 100,000 SF of flex office space, 250 hotel rooms, a 60,000 SF Cineplex, 120,000 SF of anchor retail space and 175,000 SF of specialty retail and restaurant space.

ANCHOR RETAIL STRATEGY

Two major retail anchors will be built on interior blocks drawing people into the site, activating the property. It is recom-

mended that two residential parcels on block 262 be purchased and a retail anchor, a two-level, 80,000 SF urban Target, be built on the western half of the block. This location will be adjacent to the planned structured parking on block 261 which it can share with Con-way employees and will also be well placed to bring activity in to the center of the site. A 40,000 SF grocery anchor, New Seasons, with parking below, will be built on the eastern half of Block 292, also across the street from the structured parking garage with easy access from the freeway and surrounding neighborhoods. It is our belief that these anchors would complement the large retailers (Pottery Barn, Williams Sonoma, Kitchen Kaboodle and Restoration Hardware on the southern end of NW 23rd Street, as well as the smaller, specialty retail that is filling the street as it makes it way toward our site. They, in essence become the bookend to the larger retail area, creating a shopping district of nearly one million SF, completing the balance of anchors on the northern end of the area.

An urban Target is proposed for Block 262

The urban neighborhood of NW 23rd and 21st Streets surprisingly contains over 650,000 SF of retail and restaurant space. Together with Conway Commons, the area will provide approximately one million SF of retail space, more than double the size of Bridgeport Village and nearly equal to the large retail malls, but in a walkable authentic urban neighborhood setting.

GROUND LEASING VALUE CAPTURE

A phased development guided by the use of ground leases held by the owner, and a public-private agreement with the City of Portland for street improvements and parking, is proposed to accomplish a favorable rate of return for both the landowner and the City, at a relatively low risk.

Utilizing ground leases, Con-way will be able to hold on to the land during the development period, generating a growing income stream and have the opportunity to capitalize as the land becomes more valuable over the course of the development. Its low cost basis permits Con-way to hold the land more economically than any developer and at far lower risk. Their cost to do so will be consistent with the existing costs to carry the land, which will be passed through to developers in triple net ground leases while allowing the values to increase to urban land values that could be sold for a higher profit at the end of the development period. During this time it produces a growing income stream of $3.9 million annually at very low risk. For example, if Con-way were to sell a block today at $50 per square foot, its profit would be marginal and

the developer would need to find expensive equity for the purchase in a weak market. If it ground leased the same block, the ground rent would be passed on to the tenants, the value of the land would rise and 10 to 20 years in the future, Con-way might be able to sell it for $125 to $150 per SF, having passed on its carrying costs and netted approximately 7.5% net income annually during the holding period. Moreover, there would be essentially no risk to Con-way. If the developer defaulted on the ground rent, Con-way would own not only improved land, but also any buildings on it.

Ground leasing gives Con-way a mechanism to control the development and guide it over the 10 – 20 years it will take to be realized. This option allows Con-way to begin to increase the value of the property and set the process in motion at a time when land value is low and large scale development is unlikely to happen, while insuring the whole development has enough integrity to be worth more than the sum of its parts.

PERIPHERAL/CENTRAL STRATEGIC PHASES

A phased development guided by the use of ground leases held by the owner is proposed to generate a potentially high rate of return for both the landowner and the developers at a relatively low risk.

The goal of Phase 1 is to show the potential of the site, to begin to create a unique identity and to build on what is there, encouraging more visitors through new program components in existing buildings. Heavily treed shared street parks are built on blocks 262, 292 and 295 adjacent to the Con-way office buildings. The first superblock of underground parking is built concurrently with the street improvements. Building development begins on the perimeter blocks with uses that will be supported by the existing neighborhood including a two-story (80,000 SF) urban Target retail anchor with 12-screen cineplex above. At the same time, rehabilitating perimeter buildings for new uses will generate activity and income.

Phase 2 involves finishing the shared street parks and underground parking and redeveloping the perimeter lots with 1,170 units of low-rise, high density housing, 117,000 SF of new retail/office space and a 40,000 SF New Seasons grocery on Block 292-W.

Phase 3 continues building inward increasing density as the development proceeds. Blocks 290, 292-E, 295 & 296 will be developed with high density mixed-use towers with retail, of-


PHASE TWO MASSING


FINAL MASSING

fice/hotel and 10-11 floors of residential units. By the completion of the build-out, the highest density is at the center of the site, the streets are finished and fully operational as street parks and the linked underground parking garage is complete. The market will have determined more precisely the uses and scale of the buildings and the result will be a vital integrated neighborhood teaming with all of the many uses and amenities that support a thriving urban neighborhood.

LOW COST REHAB ACTIVITY GENERATION

Early in Phase 1, Blocks 290, 296 and 295 all have buildings that are structurally sound and could be remodeled at relatively low cost to begin generating activity on the site and generating income.

For the truck maintenance building on Block 290, the high coffered, concrete ceilings and drive-through truck bays would be ideal for a farmer's market, light manufacturing or flex space for start-up businesses.

The sky-lit warehouse on Block 296 could house a variety of industrial, distribution, retail and entertainment functions. The existing office building on Block 295 could be remodeled for expansion of the back-office uses currently in the neighborhood This is a more sustainable approach as well as more cost effective. By making these structures work for uses that are already successful in the neighborhood, such as the Conway farmer's market, films, food carts, etc. Coho theater and flex work/office space, several goals will be achieved simultaneously.

SUSTAINABILITY

This development will achieve LEED Neighborhood Development certification but that is only a part of the picture. A truly sustainable neighborhood is one that goes far beyond the criteria for LEED ratings. It creates an economically, socially and culturally thriving community that can sustain and enrich the lives of those who live, work and play here. This development will achieve this in its final product by its location, being close in to downtown and surrounding neighborhoods, by pro-

PORTLAND ROASTING Coffee

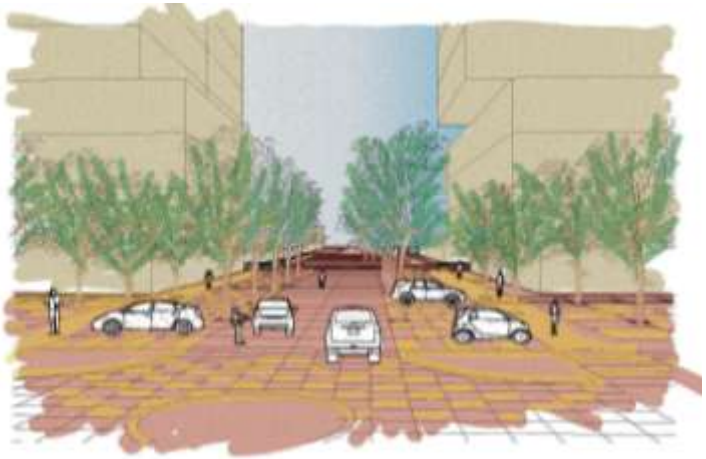
SawStop

Companies such as Portland Roasting and Saw Stop, a manufacturer of safety saws, are among the 100 fastest growing private companies in the region. These types of companies could be well suited to space in the old truck maintenance building on Block 290.

EXECUTIVE SUMMARY

viding a framework for a healthy economy, ecology and energy efficiency. It will also achieve sustainability in its process by proceeding through its phases with a realistic and profitable development process, utilizing low cost approaches to the infrastructure and buildings, maximizing the benefits of multiple uses and by turning liabilities into amenities. And in the end it will achieve sustainability by the potential for jobs for over 6000 people, housing for 3700 people and a new neighborhood for the entire region to enjoy.

Completed grid of Street Parks



View of a Street Park

NW Raleigh and 22nd Street

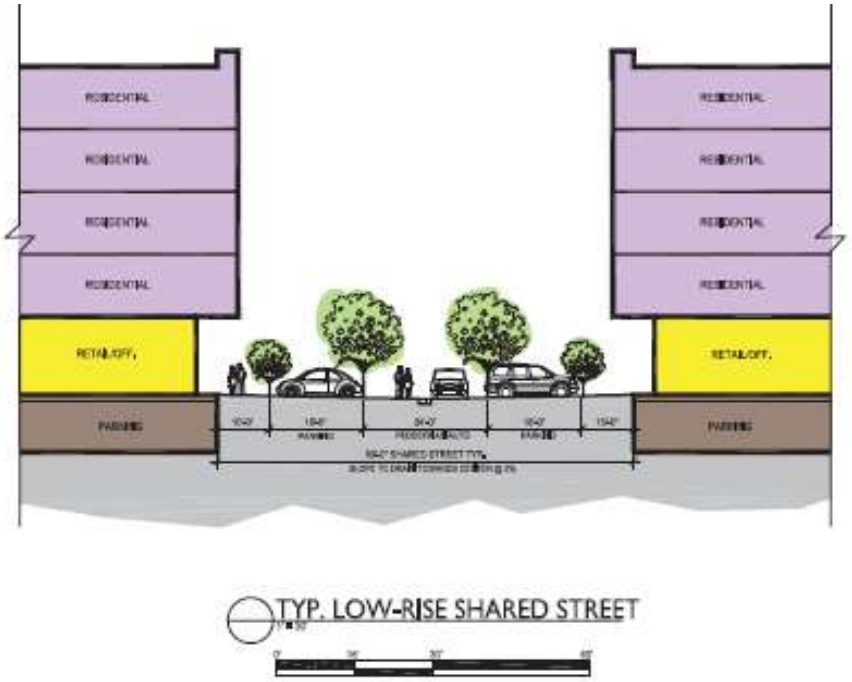
SHARED STREETS OR 'STREET PARKS"

The design strategy of shared streets or "street parks" encourages the ultimate in flexibility of use and creation of a 24-hour community. Because the streets within the site are for localized traffic only, we are taking advantage of this to turn what is typically a liability into an asset, putting the "park" back into parking. A shared street is one which eliminates curbs creating a zone from building face to building face that is designed for flexibility in uses including vehicular traffic, parking, pedestrians, bicycles, and with denser landscaping and street furniture; it is essentially a park. The street is constructed to drain to the center of the street, utilizing landscaping and paving demarcations to delineate uses. These streets will be true public spaces that can accommodate all manner of activity, flexing as the need shifts during the time of day, year or development timeline.

Trees and other landscaping will be used to establish identifiable zones for pedestrians, parking and vehicular traffic, but the use of these zones easily shifts with need. These streets tend to be safer than traditional streets because awareness of all of the shared uses is evident. Traffic moves more slowly and accommodates the pace of non-vehicular movement. When cars are absent, the landscaping and paving surfaces have a park-like character setting the tone for the neighborhood. The increased landscaping also assists with storm water runoff by reducing impervious surfaces and providing significant areas of tree wells that penetrate to the ground in a pattern that collects rainwater. As time goes on, density increases and the potential for fewer cars exists, there is a seamless transition to less vehicular traffic and more pedestrian activity. Outdoor cafes and public gatherings and events easily take over.

The concept of shared streets utilizes paving and bollards to delineate zones rather than curbs.

DEVELOPMENT STRATEGY—STREET PARKS

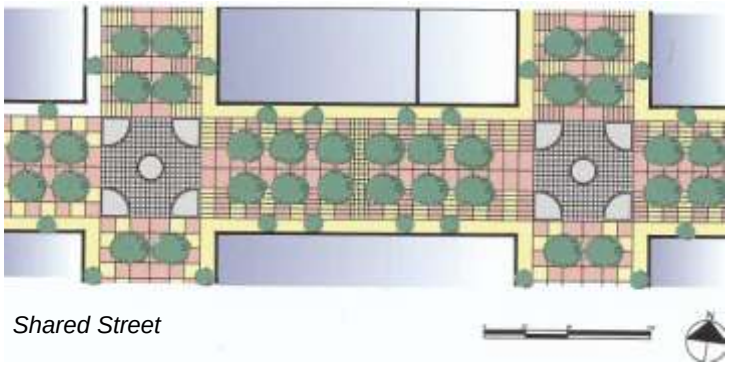


On a typical street with low rise development the width between property lines in 80'- 0". Within this dimension there is a 24'- 0" wide vehicular zone,18'-0" for 90 degree parking and 10'- 0" to the property line.

Conventional traffic signals would be eliminated in most locations, utilizing four-way stops, planters and landscaping to slow traffic. To further develop the character of the streets in Conway Commons, we are proposing the north/ south streetscapes include covered arcades at the ground floor retail storefronts. The development space given to the street is recaptured on the floors above.

On a typical street with low rise development the width between property lines in 80'- 0". Within this dimension there is a 24'- 0" wide vehicular zone, 18'-0" for 90 degree parking and 10'- 0" to the property line. We propose a setback at the street level of at least five feet for a covered pedestrian way. This developable land is recaptured above ground as the building extends back over the sidewalk. Some of the benefits are that Street Parks:

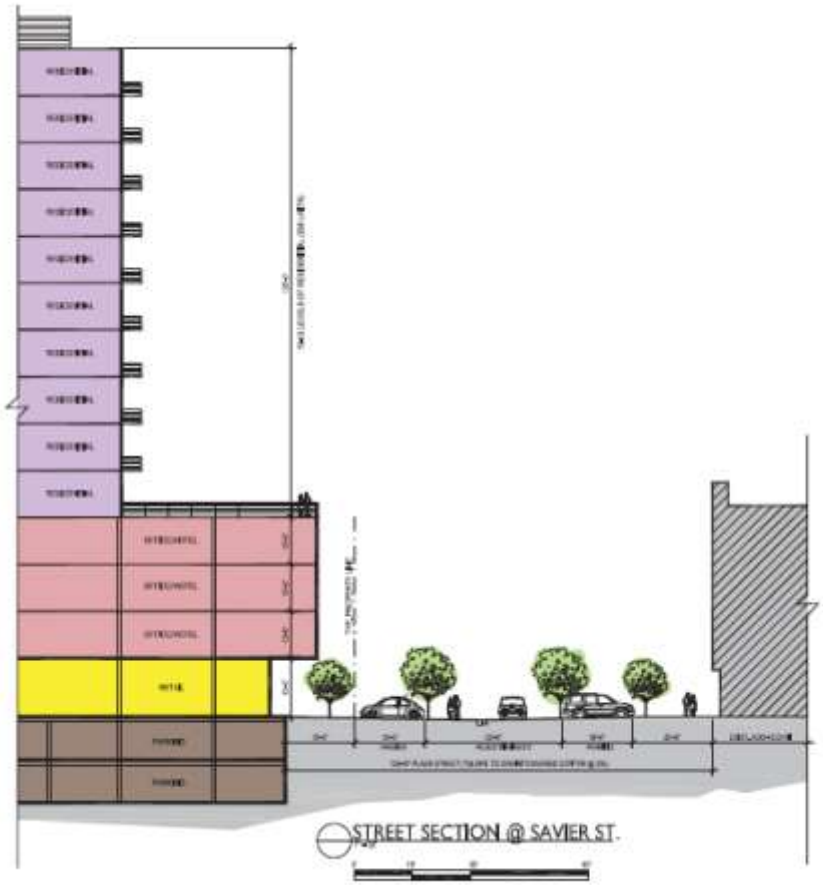
- Provide 275% more on-street shared parking than parallel parking;
- Therefore support almost 300% more building density and tax revenue at our weighted average parking ratio of 1.0.



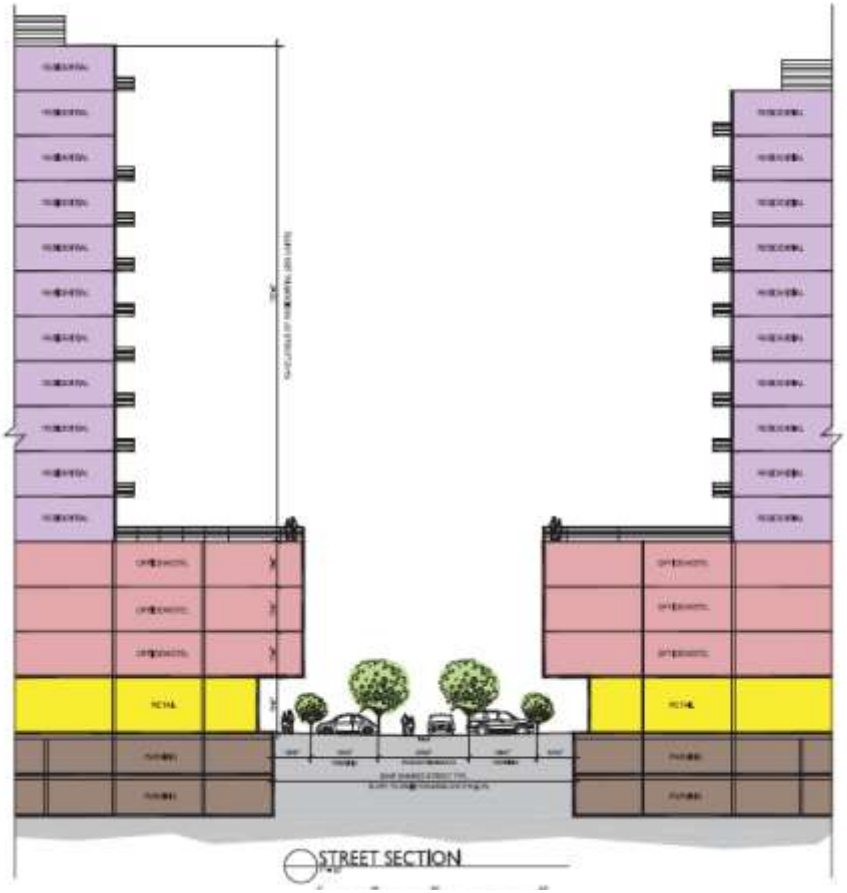
Shared Street

RALEIGH ST. PERSPECTIVE

DEVELOPMENT STRATEGY—STREET PARKS



Savier Street is unusually wide with a dimension of 108' between buildings. This leaves a 35'-0" wide area for autos, bicycles and pedestrians, 18'0" for 90 degree parking and 20'-0" on the north side of the street for sidewalk and 10'-0" on the south.



A typical street with mid-rise development would utilize the same 80'-0" dimension as a typical low rise street but the overhang at the side walk would be 10'-0".

- Can be built for about 80% less than the cost of an underground space;
- Can expand and contract uses to accommodate not only parking but also cafés, performance spaces, special events and other pedestrian activities;

DEVELOPMENT STRATEGY—SHARED PARKING

DETERMINATION OF PROGRAM ALLOCATION

Our development program is determined not by currently permissible FAR, but rather by a combination of the largest reasonably cost-effective on-site parking supply with the optimal achievable mix of uses that parking supply can support using shared parking, tested against market and financial feasibility.

We made an early assumption that rather than FAR limitations, the limiting factors of both physical capacity on site and economic realities of the development project would be dictated by obtaining the maximum amount of parking capacity at the lowest cost. Simply put, if you can't afford to build the parking at somewhat higher ratios than downtown, you can't build the space it supports.

We developed a shared parking matrix and made assumptions regarding parking demand for each use over the course of a day and week. By maximizing shared parking, we are able to achieve a density bonus premium of almost 30%. Our parking model does not simply apply desired shared parking percentages. Rather it is built from the ground up, using actual parking demand curves for different uses during different time periods.

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The shared parking has resulted in an increased density of almost 30% with a weighted average parking ratio of less than one space per 1,000, even though individual uses such as retail have an effective ratio of 3 per 1,000 SF, office 2:1, restaurants 5:1 and cinemas even 10:1. For example, parking spaces used for Con-way during the day can be used for retail and the cinema in the evenings. By optimizing shared parking, we have a plan that is economically feasible while providing a balanced mix of uses and fulfilling the intent of the NW Plan.

DEVELOPMENT STRATEGY—SHARED PARKING

ASSUMPTIONS

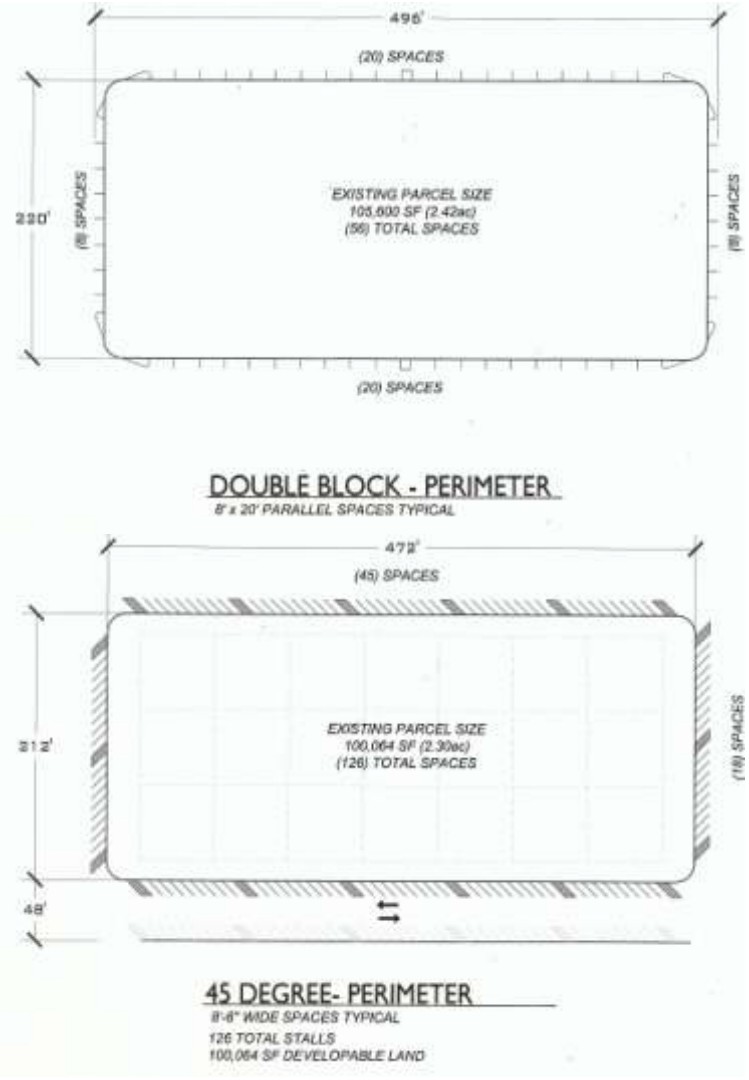
Uses	Development Program 1,000 SF or Units	Parking Ratio Per 1,000 SF or Per Unit	M-F 8am-6pm	M-F 6pm-12am	M-F 12am-8am	Sat & Sun 8am-6pm	Sat & Sun 6pm-12am	Sat & Sun 12am-8am
Con-Way	408	2	100%	15%	5%	5%	5%	5%
Residential Apartments	2250	0.75	60%	100%	100%	80%	100%	100%
Residential Condos	200	1.25	60%	100%	100%	80%	100%	100%
Office	300	2	100%	20%	5%	5%	5%	5%
Flex Space	100	1.75	100%	25%	5%	10%	5%	5%
Hotel	150	0.75	60%	95%	100%	60%	80%	100%
Cinema	60	10	40%	80%	10%	80%	100%	10%
Retail	100	3	65%	80%	5%	95%	70%	5%
Anchor - Target	80	3	65%	80%	5%	95%	70%	5%
Restaurant	75	5	60%	100%	10%	70%	100%	20%
Grocery	40	3	90%	80%	5%	95%	70%	5%

USE MIX

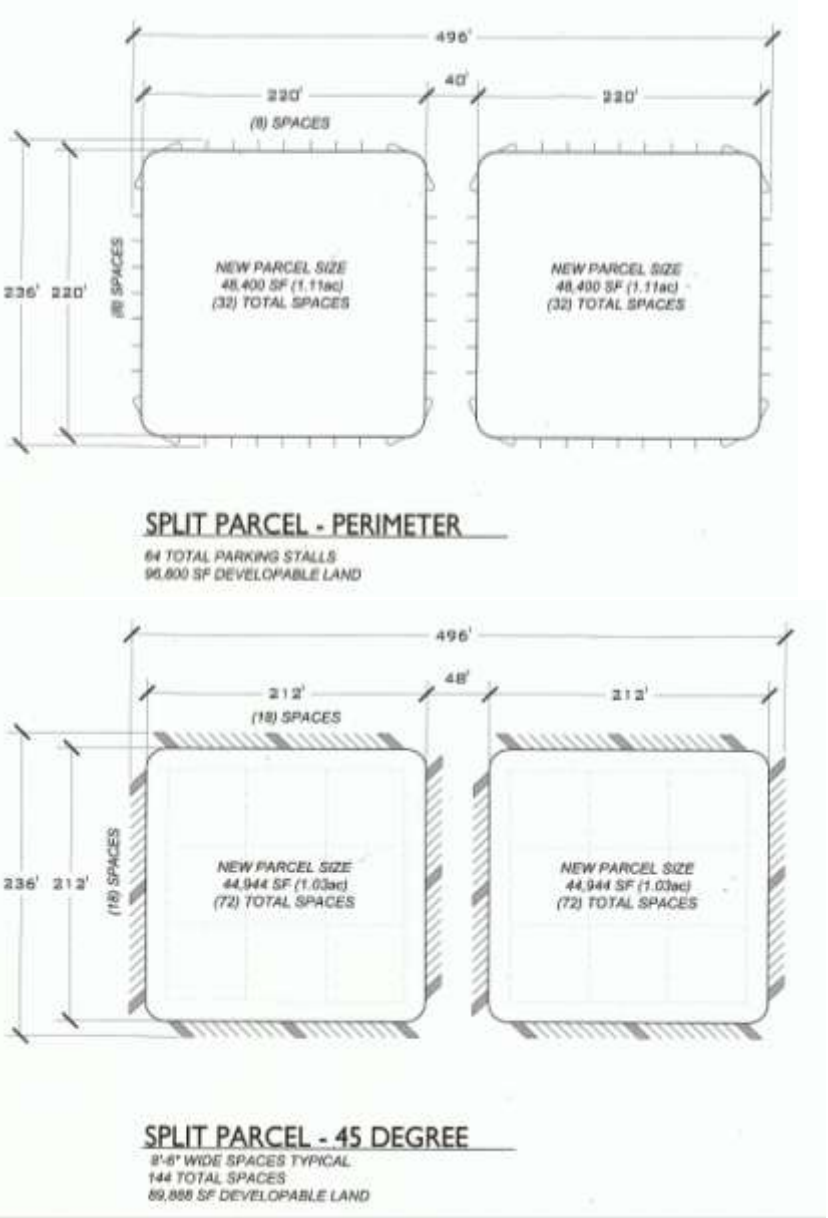
Uses	Development Program 1,000 SF or Units	Parking Ratio Per 1,000 SF or Per Unit	Gross Total Demand	M-F 8am-6pm	M-F 6pm-12am	M-F 12am-8am	Sat & Sun 8am-6pm	Sat & Sun 6pm-12am	Sat & Sun 12am-8am
Con-Way	408	2	816	816	122	41	41	41	41
Residential Apartments	2250	0.75	1,688	1,013	1,688	1,688	1,350	1,688	1,688
Residential Condos	200	1.25	250	150	250	250	200	250	250
Office	300	2	600	600	120	30	30	30	30
Flex Space	100	1.75	175	175	44	9	18	9	9
Hotel	150	0.75	113	68	107	113	68	90	113
Cinema	60	10	600	240	480	60	480	600	60
Retail	100	3	300	195	240	15	285	210	15
Anchor - Target	80	3	240	156	192	12	228	168	12
Restaurant	75	5	375	225	375	38	263	375	75
Grocery	40	3	120	108	96	6	114	84	6
Total Gross Demand	**3,763,000**		**5,276**						
Total Spaces Supply	**3,763**		**3,769**	**3,745**	**3,714**	**2,260**	**3,075**	**3,544**	**2,298**
Weighted Avg Ratio		**1.00**		**1.00**	**0.99**	**0.60**	**0.82**	**0.94**	**0.61**
% Spaces Used			**100.0%**	**99.4%**	**98.5%**	**60.0%**	**81.6%**	**94.0%**	**61.0%**
Spaces Saved			**1,507**	**24**	**55**	**1,509**	**694**	**225**	**1,471**
% Spaces Avl to Share				**0.6%**	**1.5%**	**40.0%**	**18.4%**	**6.0%**	**39.0%**
Shared Bonus	**28.6%**								

We developed a shared parking matrix from the ground up, using actual parking demand curves for different uses during different time periods.

DEVELOPMENT STRATEGY—P ARKING STUDIES



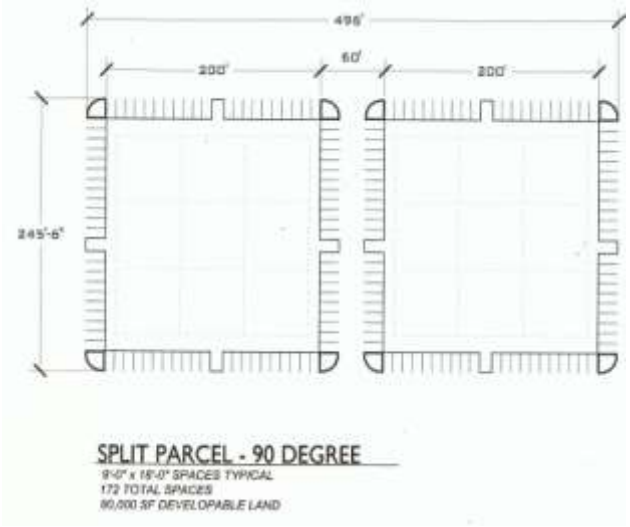
We started our analysis using the existing superblock dimensions and testing different parking configurations.



By introducing the 200' x 200' block we were able to increase on-street parking, particularly by using non-parallel parking configurations.

.ASSESSMENT OF SITE DENSITY

The current FAR is limited to 3:1 for residential uses on all blocks but Block 16. We began our investigation of program with the premise that parking availability would be the determining factor in establishing density. In order to examine possible densities and program mix and size, we tested a range of possible parking schemes utilizing the maximum street parking we could fit on the site. The objective was to maximize the least expensive and most accessible approach to solving the parking needs. Beginning by increasing the available street area by introducing the 200' x 200' block size where superblocks currently exist, we started with parallel parking schemes and were able to fit 64 street parking spaces per two-block area, with only 8 spaces per side. From there we looked at diagonal parking and were able to fit 144 spaces per two block area. Utilizing 90 degree parking we were able to fit 176 [176 because you get 22 per side] spaces per two-block area. Additional parking is supplied by one level of underground parking throughout most of the site. In selecting the 90-degree option, the parking is maximized at 1,125 street parking spaces on site with a total of 3,769 spaces including the underground and structured parking garages. The proposed overall FAR of 4:1 and allocation of uses was a result of optimizing the shared parking matrix with complementary uses. By this method we are able to provide building density serving a gross parking demand of 5,300 spaces with parking supply of only 3,800 spaces.



PROPOSED SOLUTION: F.A.R 4.0 (1-LEVEL UNDERGROUND)

DEVELOPMENT STRATEGY—DENSITY STUDIES

This first test we did was to maximize street parking and see what FAR would be supported by this level of parking. This resulted in a 1.32 FAR.

The second test was to add the seven-level, above-grade garage for the Con-way employees to use. This resulted in a garage capacity of 875 spaces and a 1.98 FAR,

DEVELOPMENT STRATEGY—DENSITY STUDIES

The third test was to utilize two levels of underground parking in addition to street parking, which supported a 7.0 FAR.

Our final assessment was to utilize maximum street parking and one-level of underground parking which supported a 4.0 FAR, In our judgment this density was the best approach to maximize developable space while maintaining an acceptable density with respect to the neighboring area, while lowering the cost per space of underground parking.

DEVELOPMENT STRATEGY—MARKET ANALYSIS

MARKET APPROACH

There is a particular character to the location of the Con-way blocks and adjacent parcels in this development proposal. Our plan produces a development that is consistent with this character. The office space on the site and that to the north and west have primarily back-of-house office functions (Con-way offices and the businesses at Montgomery Park, as well as medical and industrial uses close by function that way at rents discounted from premium Class A downtown office space.). It is an area with low to mid-density residential uses where 71% of the population rents their units. The average income is $47,820. There is a strong network of diverse small specialty retail and restaurants such as Wildwood, Lucy's Table, Besaw's and the Lucky Lab within walking distance and a growing number of unique businesses such as Clear Creek Distillery, Katayama Framing and Moonstruck Chocolate . There is a select number of larger retailers, such as Williams Sonoma, Pottery Barn and Kitchen Kaboodle along NW 23rd Street. But there are no larger anchors. Nearby entertainment comes in the form of small, local live theater companies such as the Coho theater on NW Raleigh and the very independent Cinema 21. The area is accessible by car, transit and easily walk-able from established retail and residential uses on NW 21st street and NW 23rd Street.

It is not a neighborhood like the Pearl District which was formed under the paradigm of turning warehouses into lofts which soon morphed into building new "loft" projects a là Tribeca in New York. While that worked in the 80s and 90s, the dearth of remaining loft buildings and the oversupply of luxury condominium units suggest that to be a risky model for model for our site.

It is also not like South Waterfront, which is in the now stunted process of creating a luxury-housing neighborhood out of whole cloth in a mostly vacant industrial area with beautiful views and proximity to the riverfront. Instead, it is a very accessible neighborhood that is functioning with its own identity that happens to contain very large parcels of undeveloped and under-developed land under single ownership surrounded by a rich mixture of uses that can be ideal for phased development in a recovering economy.

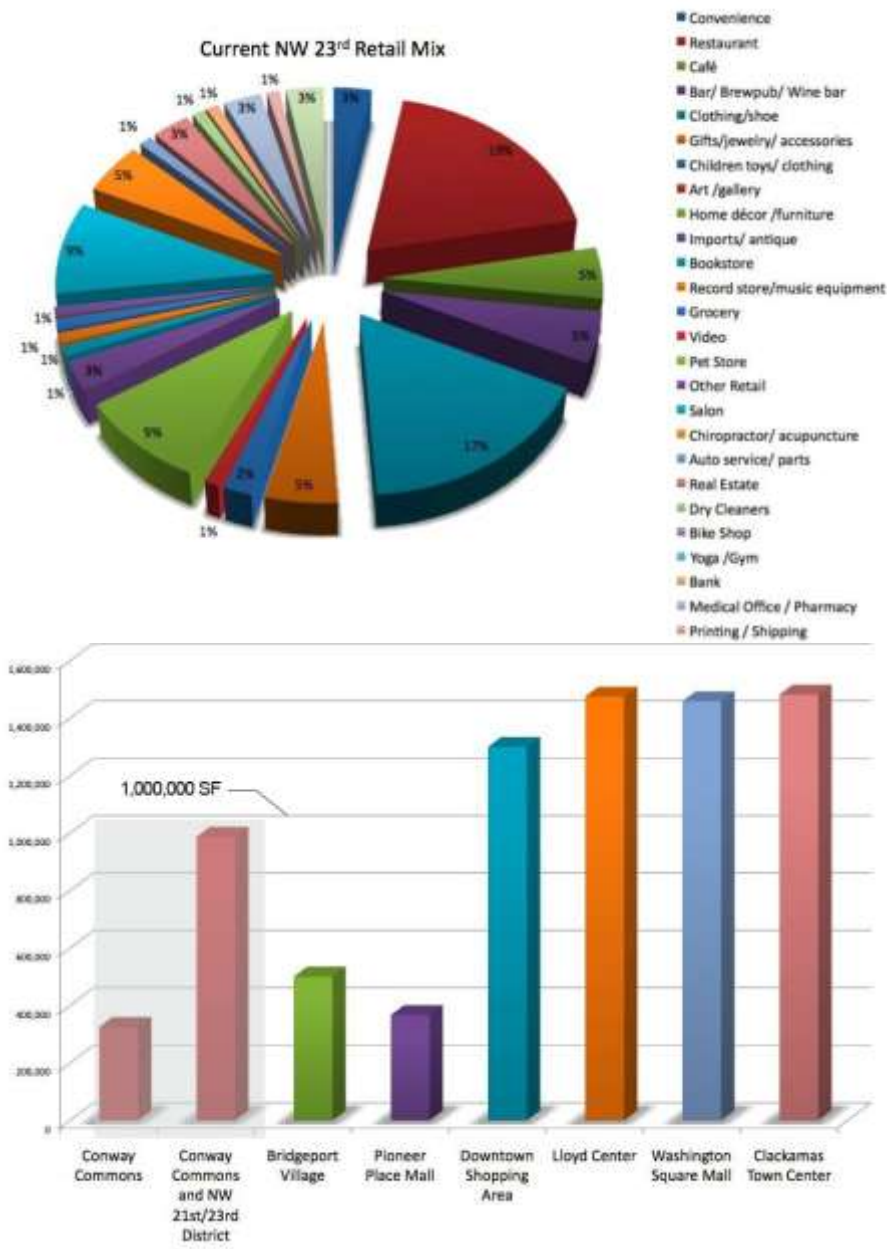
This has set up a market expectation that informs our decisions very specifically in the short term. It also gives us cause, in addition to the current economic climate, to structure the overall project phases with a strong but flexible framework including a network of street parks that provide both cost-effective shared parking and amenity integrated with a modular development parcel plan to accommodate unpredictable market-driven forces over the next 10 – 20 years.

Our strategy is as follows:

RETAIL

The selected retail mix takes advantage of the accessibility of

DEVELOPMENT STRATEGY—MARKET ANALYSIS



Total retail space for the area will be double that of Bridgeport Village.

I-405, Route 30 and NW Vaughn, and size of the parcels to provide destination shopping for larger anchors that cannot be accommodated downtown, yet offer a desired alternative to urban residents who otherwise must drive to suburban retail sites. In addition, our retail strategy takes advantage of the nearby fabric of 661,809 SF of specialty retail We provide a northeast anchor to the larger NW 23rd and NW 21st district whose only larger anchors like Cost Plus, Williams Sonoma , Pottery Barn, Restoration Hardware and Kitchen Kaboodle are on the southwest end. Adding the 325,000 SF of retail in our development program will bring the total retail square footage to 986,869 SF which doubles that of Bridgeport Village and approaches that of downtown (1.3M SF), Lloyd Center (1.475 M SF), Washington Square (1.458 M SF) and Clackamas Town Center (1.482 M SF). This substantial retail presence illustrates the viability of locating large anchor tenants such as Target and a 12-screen Cineplex on our site. We believe these two types of shopping experiences can be symbiotic in a healthy urban neighborhood and do not depend on a mall to succeed. In fact, together they provide a much richer mix of retailers in a location and setting that is much more authentic than a place like Bridgeport Village, which at approximately 500,000 SF of retail space is only half the size of our NW 21st/23rd district.

Target is the first retail anchor planned for the site. It will be an urban version of the store, a two-story building with a total

of 80,000 SF. It will be located on block 262, adjacent to the Phase 3 parking structure and in the furthest NE corner block of the site. There is no other large scale service retailer (other than the Fred Meyer on Burnside and 20th) between the Pearl and NW 23rd. This site for Target would be serving more than 10,000 households that exist just in this area.

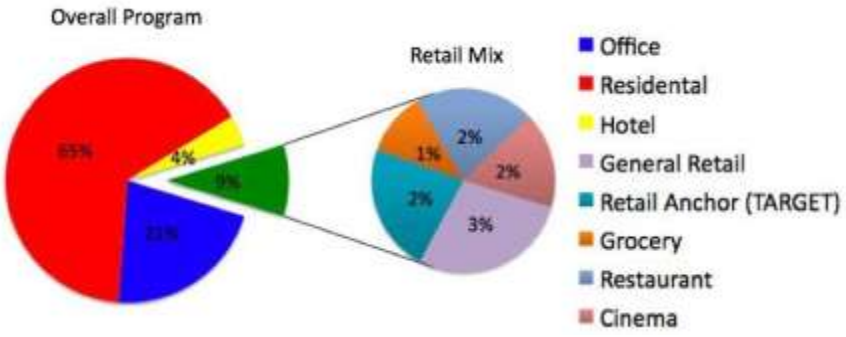
Target is considered "cheap chic" and resonates with the younger more urban demographic as well as those looking for better price points than the specialty stores offer. Average household income in this area of $47,820. Target provides the convenience of one-stop shopping not currently offered by the existing assortment of NW specialty retail shops. It also offers lower price points than existing retail, both specialty and mid-sized retail (Pottery Barn, William Sonoma).

Because of its proximity to the West Hills, the Pearl District, downtown and to freeway access, we predict that this Target will attract people from a much larger area in the West Hills, along HWY 30, downtown and close in NE. This location is closer than the Jantzen Beach Target and avoids almost all of the I-5 traffic congestion.

As our major anchor tenant, we anticipate that Target will pay significantly less rent than the $31.97 average of the NW 23rd neighborhood. We suggest $22/SF as Target's presence will allow us to charge premium rents to smaller retailers.

NEW SEASONS

Although there are other grocery options in the area (City Market on 21st, Fred Meyer and Zupan's on Burnside, Safe-



Area Target stores surround but are not proximate to the site.

way and Whole Foods in the Pearl, Food Front on Thurman, Trader Joe's on 21st) we believe a New Seasons could be successful in this NW neighborhood, not only as the project builds out, but in the beginning to serve the more than 9027 households in the surrounding neighborhood. New Seasons is a quality specialty grocery store at a price point above discount grocers but below Zupan's and Whole Foods. Like Zupan's, New Seasons is also a local store but has successfully targeted a market, unlike Zupan's and Whole Foods, that has more reasonable price points and is not perceived as a high-end store. It has become a Portland staple representing quality and healthy food, and its storefronts are inviting and pleasing to a neighborhood. Grocery shopping is something people prefer to do close to home. The closest grocery options are not full service groceries and the neighborhood can support one. New Seasons would enhance the area's options and set a tone for the developing residential, office and retail parcels. In addition, the 5000—6000 employees in the area at Good Samaritan, associated clinics, Con-way and Montgomery Park may also choose to shop at the end of the day, thereby avoiding peak traffic congestion on suburban commutes.

According to Mike Zupan, grocery store rents typically range between $18-25/SF in the City of Portland. We suggest charging $22/SF as this is within the competitive range and appropriate for our urban fringe location.

Grocery markets that are nearest are specialty markets.

New Seasons storefronts are an asset to the street.

CINEPLEX

To stimulate evening activity, reinforce restaurant business and take advantage of a visible and accessible location with plenty of evening parking, a major draw to the project would be a 60,000 SF cinema with 12 screens. Film has become increasingly neighborhood oriented and this is an under-served neighborhood. The Cineplex will be located on block 262, above the urban Target, in close walking distance to the parking structure that can be shared with Con-way during the day. Block 262 adjacent to HWY 30 – I-405 freeway provides both easy access and a strong presence for signage. Outside of the single-screen Cinema 21 on NW 21st Avenue, the closest multi-plex is the downtown Fox Cineplex. Many residents

from this area and the Pearl District would prefer walking to neighborhood cinemas. Residents from the West Hills, northwest, north and northeast Portland may prefer a more accessible location and easier parking. In addition, this area is far richer in a wide variety of restaurants that such patrons may prefer than the Fox Tower location. The nearby shared parking and streetcar/walking ease of this location will activate the streets in the evenings and will generate and support new businesses (restaurants and retail) for the entire development.

SPECIALTY RETAILERS/RESTAURANTS

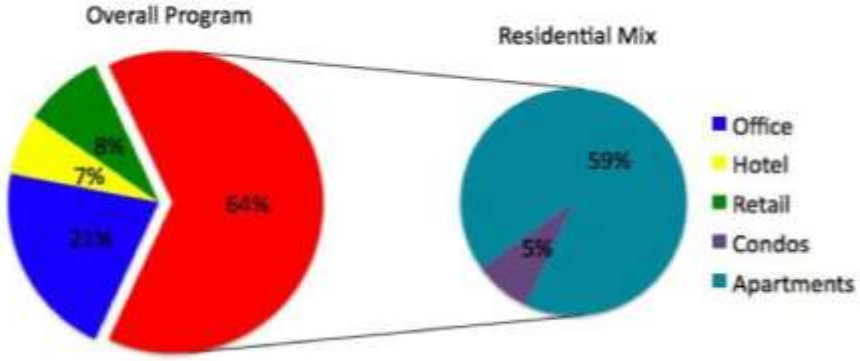
The smaller retail stores will be located on the ground floor at the corners of the blocks in the core of the development. Though a substantial supply exists (661,869 SF) in the NW 23rd/21st trade area, we feel that the combination of the strong residential presence and the draw of our anchor tenants to commuters will support our proposed 175,000 SF of specialty retail and restaurants. Our development mix continues the character of the NW retail district by utilizing smaller retailers but with the enhanced amenity of easy accessibility of our street parks, with triple the on-street parking of the area. The street parks provide an ideal environment for pedestrians to congregate, browse shops and dine outdoors. The ample on-street perpendicular parking, almost three times as many spaces, is another benefit for small shop owners in our development as the scarcity and difficulty of the parallel parking spaces is often frustrating for NW 23rd shoppers. We propose charging a rate of $28/SF for smaller retail and restaurant space, which price is competitive for our more fringe location as the average rents for such tenants exceeds $30 on NW 23rd St.

Locations of nearest cinemas

Block 262 has strong freeway presence, is adjacent to the structured parking on Block 261, and is an internal block, drawing people into the site early in development.

RESIDENTIAL

The Con-way Blocks development will consist of approximately 2,250 multi-family rental units and 200 condominiums. The predominant focus on rental units reflects the current preference in the market due to current poor economic conditions and glutted condominium market. Tight credit standards for home/condo purchases as well as a high price/rent ratio make renting more economically feasible and more advantageous than buying. Furthermore, the current market is more transient, with a creative class that moves more frequently. This rental focus also works well with our ground leasing strategy that builds an increasing income stream at minimal risk for the landowner, which can capture maximum urban land values as they increase over the longer term with in-



Comparison of Area Rents				
	Conway Commons	Park 19	Broadstone Enso	Cyan
Studios	$700	$1,227	$1,225	$995
1-Bedroom	$925	$1,712	$1,575	$1,295
2-Bedroom	$1,500	$2,337	$2,200	$1,675
Comparion of Unit Area SF				
Studios				
Conway Commons	700			
Park 19	1227	410		
Broadstone Enso	1225	375		
Cyan	995	780		
1-Bedroom				
Conway Commons	925			
Park 19	1712	625		
Broadstone Enso	1575	150		
Cyan	1295	700		
2-Bedroom				
Conway Commons	1500			
Park 19	2352			
Broadstone Enso	2200	695		
Cyan	1675	1020		

creased urban development. The strategy also benefits developers who would not need to finance the purchase of land and reduces their burden during the development period. Con -way can bear this because of its low basis in the property.

RENTAL UNITS

The multi-family housing strategy is to minimize construction and financing costs, allowing developers to price competitively in the rental market, while building quality new housing. The use of 9'-0" ceilings providing high-cubed space in smaller units of lower cost wood frame construction for the low-rise, high-density housing is intended to keep costs low, compared to housing in the Pearl District. Cost reduction is also achieved by making use of the favorable financing terms of the FHA 221(d)(4) program.

The unit mix, which will consist of 50% studios, 25% 1-bedroom and 25% 2-bedroom units, is designed to maximize flexibility. The configuration of studios between 1-bedrooms and 2-bedrooms makes it possible to combine studios with one or two bedroom units for buyers that may want larger spaces that produce rental income before children arrive or after the nest is empty. This allows potential 3-bedroom units without locking in a 3-bedroom inventory. Consistent with the strategy of flexibility we are designing these rental units with the appropriate sound insulation and construction standards such that they may be converted to condo units when the market recovers.

DEVELOPMENT STRATEGY—MARKET ANALYSIS

Current competition in the northwest trade district new apartment market will come primarily from Park 19, located at 550 NW 19th Ave. Park 19, built in 2009, is a 6-story mid-rise 79,150 SF (101 unit) luxury apartment complex located 0.96 miles away from the Con-way site. Amenities include a tenant lounge, a business center and a backdoor courtyard with a barbeque. However, the high cost of this project, primarily due to expensive construction methods (steel frame and stucco exterior) and the developer's high basis in the property, forces rents to be quite high in order to produce a return commensurate with the development risk.

Conversely, our low-rise high density units will be built with less expensive wood frame construction, favorable financing terms and a developer who has no cost basis in the property due to the ground leasing strategy. Conway Commons units will rent for $700, $925 and $1,500, which is substantially lower than its competitors whose lowest rate for each unit type is shown in the chart. Furthermore, our amenities will already be built into the development as the street parks, the central square and the unique anchor tenants will be accessible. Other competitors which are located outside of the northwest trade district, are the Broadstone Enso and the Cyan. However, these two buildings have high price points that resemble those of Park 19. Conway Commons rental units will offer an attractive and less expensive alternative than much of its competition. Tenants at a lower price point will have the option to rent brand new units, as opposed to currently only being able to rent older units at these price points.

Our demographic, based on data relating to northwest trade district residents, is urban middle class (MFI of $47,820), relatively young (median age of 35) and consists primarily of renters (71% rent vs. own). Based on the modest median family income we assume that many NW residents are price sensitive and would find inexpensive new housing to be an attractive option. Northwest Portland's young median age suggests that potential renters may have children or are looking to start a family, which our flexible unit configuration will accommodate. The strong rental preference in the surrounding area is reflected in the fact that approximately 92% of our residential units will be rentals rather than condominiums, although these may be converted as the market changes. Based on the above criteria our residential offerings should capture our target demographic and be absorbed relatively quickly.

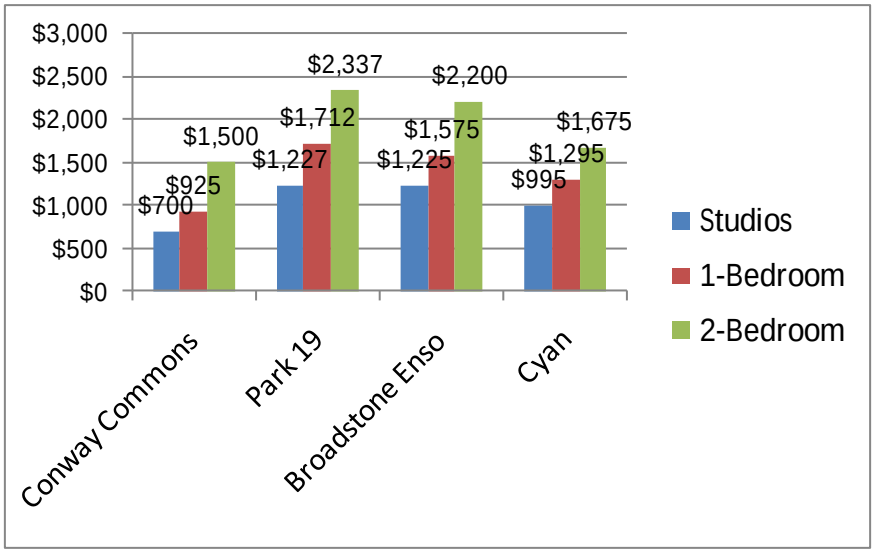
By providing new, attractive and competitively priced apartments, a need will be met that the current NW market is failing to address.

CONDOMINIUMS

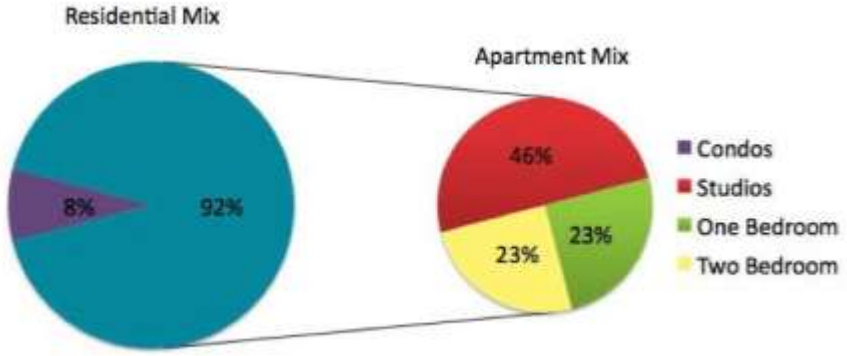
The heavy emphasis on rental units over condominiums is primarily due to, in addition to the ground lease strategy, current saturation of the Portland condo market and the weak housing market. However, as mentioned above, in the long

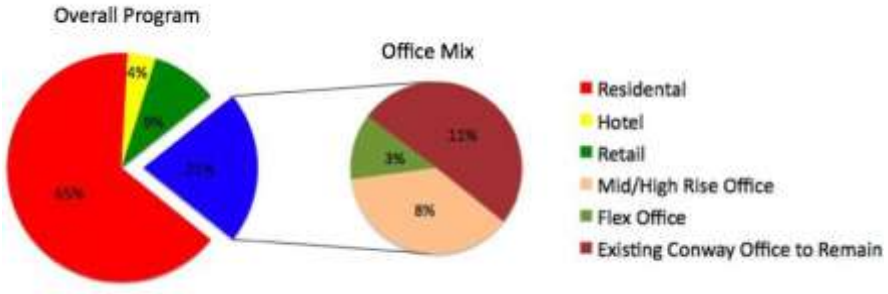
term as the condominium market rebounds, the option exists to convert the rentals to condos. Our flexible layout supports this option.

An important aspect of the condominium units is that the unit configuration will allow for the use of an accessory dwelling unit to be rented as a small studio by an independent person. If the building is converted to condominium units, an ADU can be purchased by a childless couple who initially have the income from the ADU to offset their mortgage. When children arrive, the ADU can be recaptured to be used by them. To illustrate, if the ADU is adjacent to a 1-bedroom unit, it can be combined with it to make a 2-bedroom unit. On the other hand, if it is adjacent to a 2-bedroom unit, it can be combined with it to make a 3-bedroom unit, which can accommodate a family. When children become independent, the owners can then again rent the ADU for income purposes, thereby increasing their income and cash flow and permitting them to age in place. The systematic use of ADUs can maintain a rental pool of units even when the economics mitigate against developers building new apartment projects. The use of ADUs is consistent with our overall development theme of maintaining flexibility to meet evolving demands as markets change.



RENTAL MARKET





Conway office buildings AD-Tech 1 and AD-Tech 2

OFFICE

Con-way currently owns approximately 400,000 square feet of office space on the site. This is not Class A, but primarily houses back-of-house functions, similar to Montgomery Park. Montgomery Park, which is less than a mile to the north of the site, contains 656,898 SF of usable back office space. Rates at Montgomery Park vary from $17-$23 per SF, which appear to be competitively priced as it is currently 94% occupied. Con-way also subleases office space at a rate of $22/sf. This is the rate we propose as it appears to be in line with the surrounding market and would be a competitive price for new space.

Due to the urban fringe location, current level of office space on the site, and higher daytime parking demands at parking ratios double that of downtown, new office space makes up only 10% of our development program. We believe that this type of space will continue dominate office markets in this area in the near future to due to the continuation of Con-way utilizing almost half of the total office space in the project and the proximity to many industrial uses nearby. We are proposing an addition of 300,000 SF of low/mid- rise office as well as 100,000 SF of flex office space. This part of Portland has long been a net jobs

creator and we attempt to continue that tradition making it a truly mixed-use urban neighborhood. We believe that building on the medical offices and clinics that are in the neighborhood as well as encouraging flex office space for young entrepreneurs and creative start-up companies will symbiotically support the mixed-uses in this neighborhood. Examples of this would be companies such a Portland Roasters (coffee) roasters), Ruby Receptionists (office help), eROI (e-marketing), Home Instead (senior services) and Saw Stop. These companies are all on the Portland Business Journal's 2010 list of 100 fastest growing companies in the area and would be an asset to the area as well as benefitting from the proximity to labor market, location and area markets for their products and services.

HOTEL

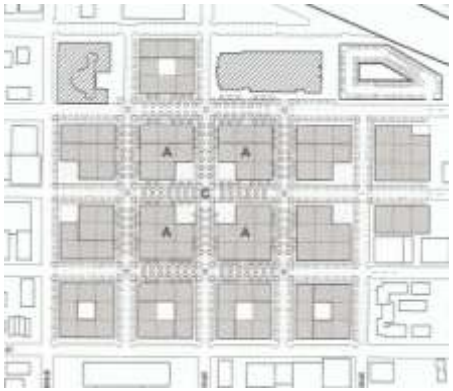
There are two hotels close by on Vaughn Street to the northwest of the site, A Silver Cloud Inn with 82 rooms (($129-$169/night rack rate) and Holiday Inn with 90 rooms ($149/night rack rate). Both are used primarily for business travelers and average a 77% occupancy rate. There are no hotels in the Pearl District or in the area of NW 21st Street and 23rd Street, except for a small, converted apartment complex called Northrup Station at NW Northrup and NW 20th Avenue, We believe that in the long term a hotel could serve the area and be an asset to the 24-hour activity that we are encouraging. The rates would be less expensive than the downtown hotels, but a proximate location with restaurants and entertainment nearby could attract visitors. A hotel in this location could be used by guests of residents in the surrounding area, business traffic for the medical industry and other large employers close by, as well as families of patients at Good Samaritan Hospital.

Legacy Good Samaritan Hospital

Montgomery Park

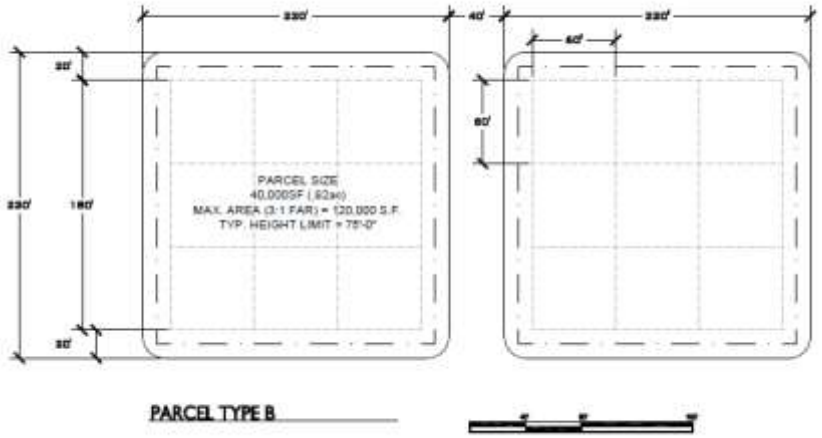
Nearest hotels are the Silver Cloud and the Holiday Inn.

DEVELOPMENT STRATEGY - UNIVERSAL BLOCKS



Proposed Street Park grid.

The superblocks will be reconfigured to be consistent with the Downtown and Pearl District grid of 200' x 200'



URBAN BLOCK DESIGN

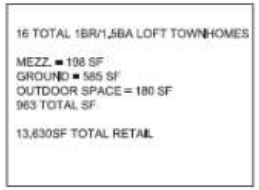
By introducing the 200' x 200' Portland block pattern, consistent with the downtown area and the Pearl District. Some street-level developable area is sacrificed for shared streets, but it dramatically increases the amount of on-street parking which increased the allowable density. The smaller blocks provide a better pedestrian environment and calm traffic, necessary for the shared street concept to succeed. It also increases the number of corner lots adding value and interest.

UNIVERSAL MODULE - DEVELOPMENT MODULE FLEXIBILITY

We propose modular development parcels based on a 60' x 60' grid, creating a block wide grid that is 180' x 180'. This is derived from the logic of a structural bay accommodating parking as well as flexible uses on the upper floors.

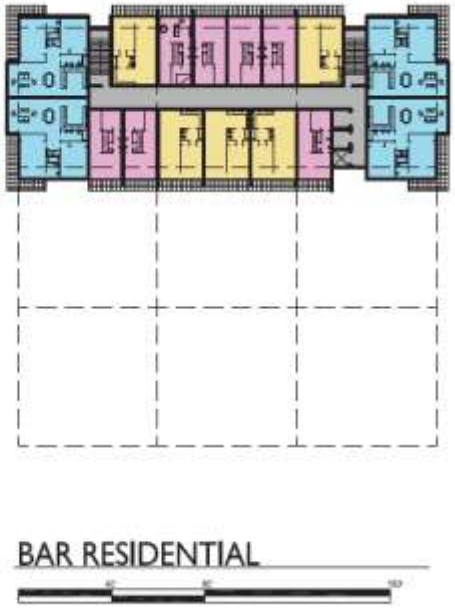
An urban community benefits from opportunity to be diverse rather than homogeneous. The universal module avoids prescriptive zoning of the site, sets up a system for a finer grained development pattern to exist, allowing the market to drive the uses over time. Con-way will be able to sub-lease

DEVELOPMENT STRATEGY- RESIDENTIAL OPTIONS



BAR SHAPE:

This plan has 16 units and approximately 13,000 SF per level, an efficient layout (85% - 90% rentable space) and features 2 BR units with multiple exposures on both ends. Multiple bar buildings could fit on a typical block and/or be interconnected.



full blocks for different developer's needs and goals within the framework of the overall development goals. Development can occur incrementally or on a large scale depending on the market, a pattern that has occurred in the surrounding northwest blocks over time.

The universal module also facilitates smaller parks and other urban amenities to occur throughout the site rather than only on a large scale planning effort. We believe this is consistent and supportive of the scale of surrounding neighborhood.

UNIVERSAL MODULE – RESIDENTIAL CONFIGURATIONS

Universal modular development parcels can work at different scales, for different purposes by different developers at different times.. Each one has its own advantages and works with a variety of base building forms. The unit mix and plan adjacencies are maximized for flexibility in up-sizing or downsizing, or condominium conversion.

DEVELOPMENT MODULE FLEXIBILITY

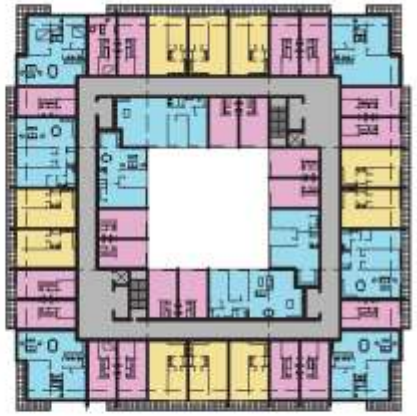
Conceived for the lower rise projects the donut or 'O' - Shape has 48 units per level with the following unit breakdown:

10 1 BR 1 BA

22 studios

10 2 BR 2 BA

This plan would work well as 1-2 level podiums with bar or L-shape plans above.



DONUT RESIDENTIAL

Conceived for the lower rise projects the U-Shape has 38 units per level with 30,000 SF per level with the following unit breakdown:

10 1 BR 1 BA

19 studios

9 2 BR 2 BA

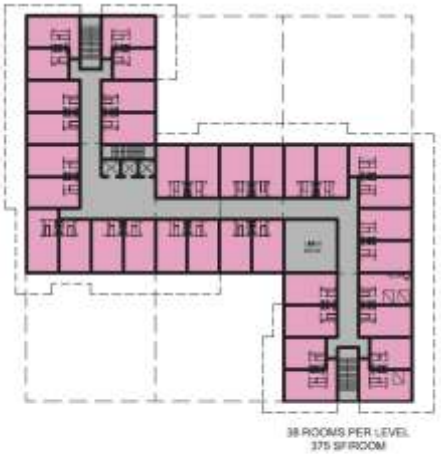
U-SHAPED RESIDENTIAL

creased

A typical ground floor would have approximately 24,950 SF of leasable retail. Any area given over the Street Park would be recaptured on the upper floors with a cantilever to create arcades at the street level.

GROUND FLOOR

A typical hotel floor contains 38 rooms per level at 375 SF per room.



HOTEL FLOOR

Conceived for the midrise projects the L-Shape has 27 units per level, with 22,000 SF per level with the following unit breakdown:

7 1 BR 1 BA

13 studios

7 2 BR 2 BA

Most units have favorable exposures that could be oriented toward views of Mt. Hood or the west hills.

L-SHAPED RESIDENTIAL

Conceived for the midrise projects the S-Shape has 27 units per level at 22,000 per level, with the following unit breakdown:

7 1 BR 1 BA

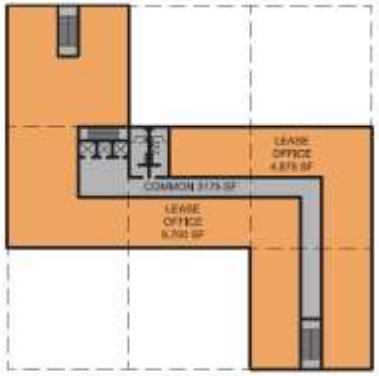
13 studios

7 2 BR 2 BA

This plan vertically integrates with lower level office and hotel plans.

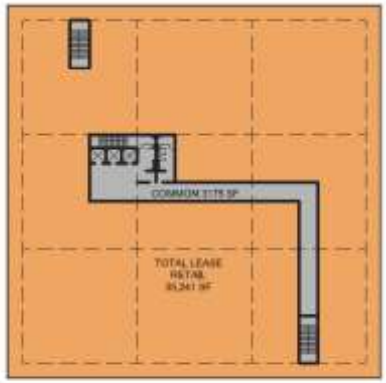
S-SHAPED RESIDENTIAL

A typical office floor in the S-shape Contains 14,575 SF of leasable space.



OFFICE FLOOR 1

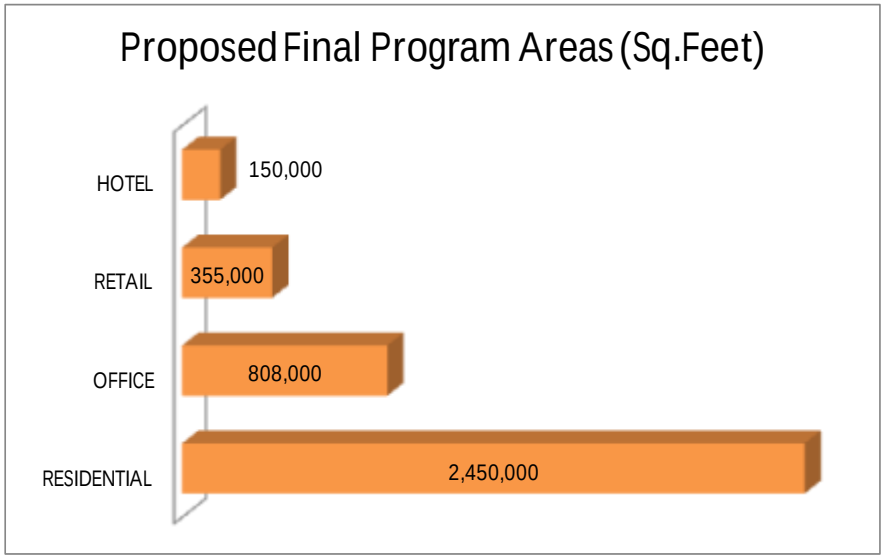
A typical office floor utilizing the full block contains 35,241 SF of leasable space.

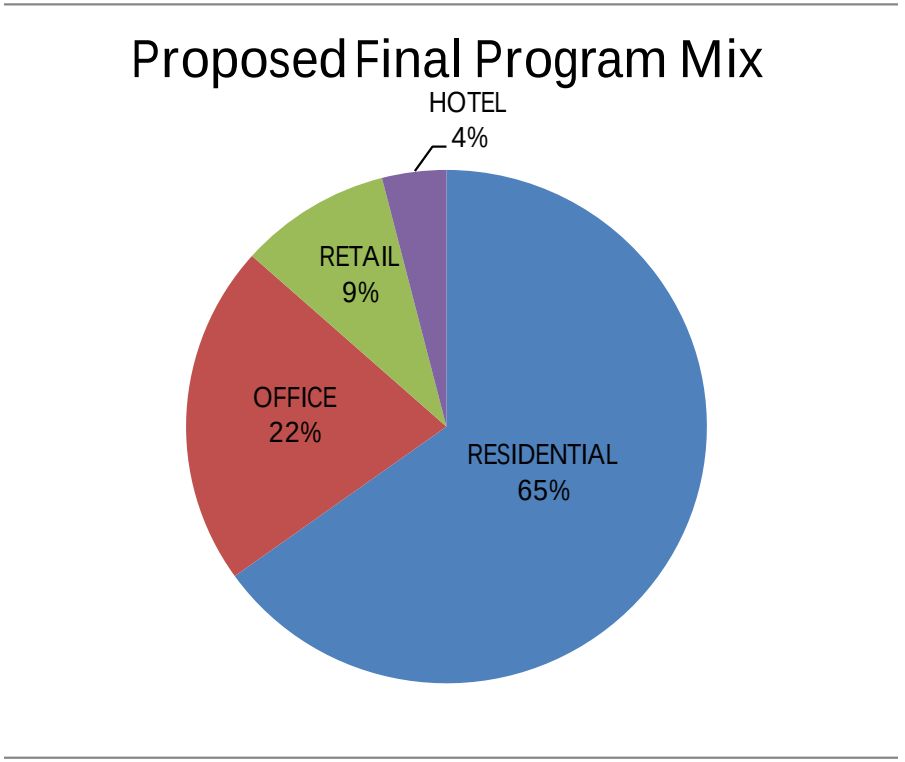


OFFICE FLOOR 2

PROGRAM

With an overall program of 3,763,000 SF we have maximized shared parking, tested densities against the market and have arrived the following program for the site:

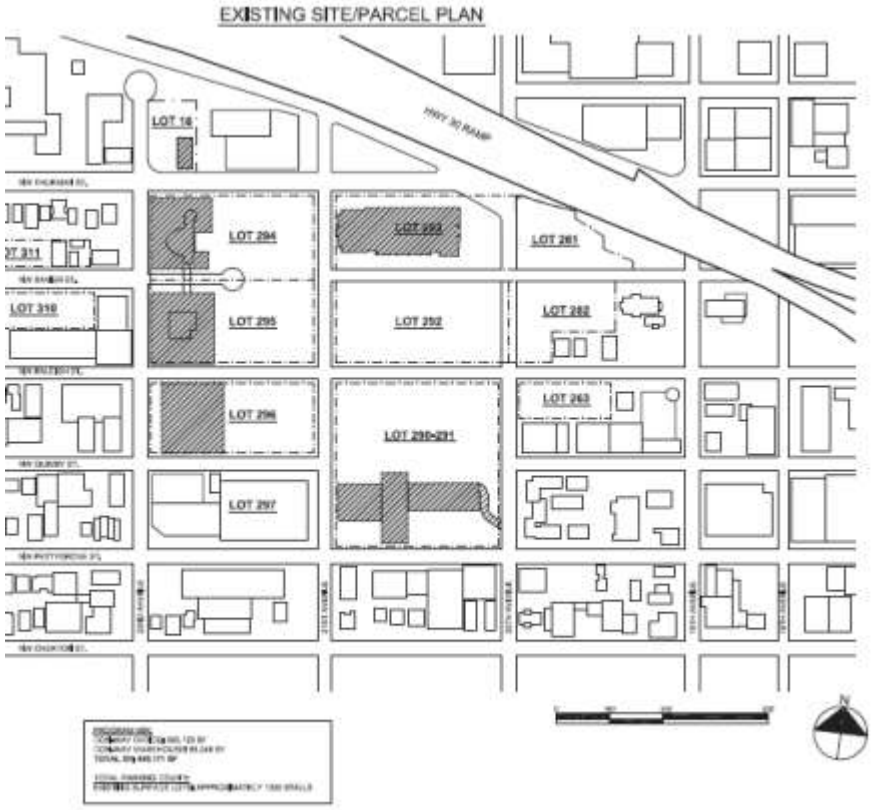




This mix of residential, retail, office ,cinema, hotel and parking will create a neighborhood that builds on the activity and uses in the existing area while increasing density over the development period. The overall FAR for the site will be 4:0 lower scale development is planned for the perimeter of the site with larger scale projects planned for the core.

We believe this program is optimal for the site, and is consistent with the scale and fabric of the existing surrounding area. his program is really a guideline rather than fixed, as the market will ultimately determine the mix of uses at the time of development. However we believe the overriding strategy will set a strong framework for a successful development.

PROGRAM—PHASING



PHASING

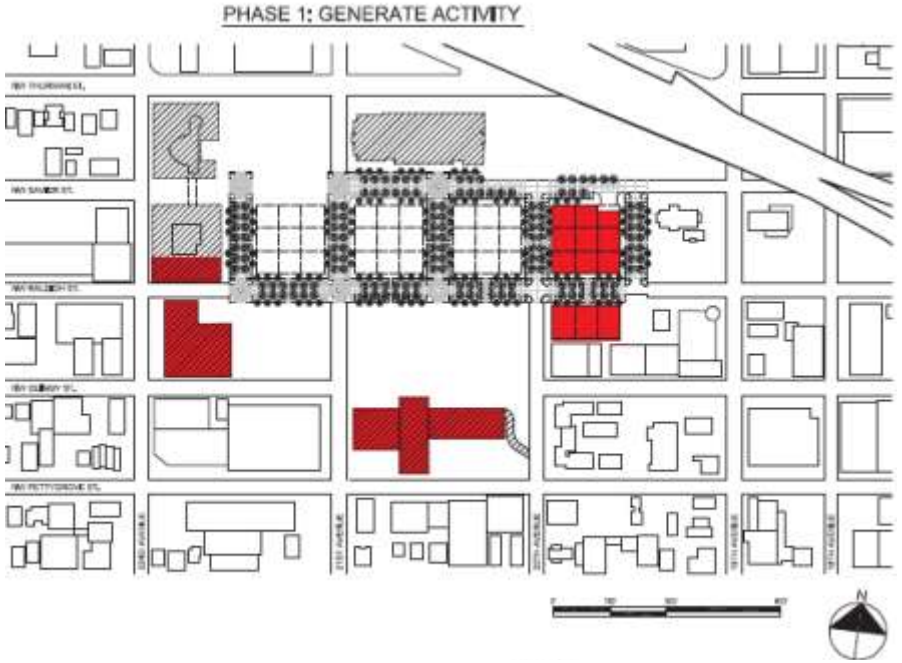
Even under more normal market conditions, this site is much too large for the market to absorb in a short time period. The current economic climate is not conducive to an immediate start and certainly not complete development of the site. A phased strategy is proposed to structure the development timeline for success over the longer term, at a low risk and favorable rates of return for the landowner, developers and investors. Phasing is supported by the universal module concept, enabling both large and small parcels to be developed within the framework of the overall plan. By utilizing ground leases, the landowner can use the ground leases to control the character, scale, pace and design of the project as well as generate a growing income stream and capture higher land values as development increases over time.

PHASE 1 The first phase of development has the primary goal of being a catalyst, creating an identity, generating activity, showing the potential of the site to both developers and the general public, encouraging use through new program, shared parking and landscaping that set the development in motion. This can be achieved by beginning to build the shared streets, adding a retail/entertainment anchor and renovating some existing buildings at low cost along Pettygrove and Raleigh Street for temporary non-industrial uses. Parking for the Con-way employees needs to be maintained in this and subsequent phases.

PROGRAM—PHASING

Phase 1:

- Acquire the houses on the southern parcels of Block 262-W to make way for the new urban Target store and underground parking.
- Begin shared street improvements on Blocks 262, 292 and 295 concurrently with one level of underground parking on Block 292 to begin building street parking and setting the character of the new development.
- Remodel existing buildings for temporary reuse on Blocks 295 -W, 296-W, 290 to generate retail and office activity on site. The existing truck maintenance building on Block 290 with its high ceilings and drive-through truck bays would be an ideal location for a more permanent home for the NW Farmer's Market, flex space for entrepreneurs needing high spaces and easy access. Uses such as film, entertainment, live performances and food carts would work well in the existing sky-lit warehouse on Block 296-W and the office building on Block 295-W could be remodeled for medical supply distribution and equipment sales.
- Develop a two-story retail anchor (Target) Block 262 with underground parking and a two-story multi-plex cinema above.
- Develop a residential tenant for the parcel on Block 263. pattern with shared streets.



PROGRAM MIX

CONWAY OFFICE: 550,000 SF

RENOVATED BLOCK 296 WAREHOUSE: 30,000 SF (OFFICE/RETAIL)

RENOVATED BLCOK 290 TRUCK MAINTENANCE BLDG. 50,000 SF MARKET, FLEX OFFICE)

NEW RETAIL ANCHOR:80,000 SF

NEW CINEMA: 60,000 SF

NEW BLOCK 263 RESIDENTIAL: 32,000 SF (45 UNITS)

NEW LOT 263 RETAIL/OFFICE: 3000 SF

TOTAL SF: 805,000 SF

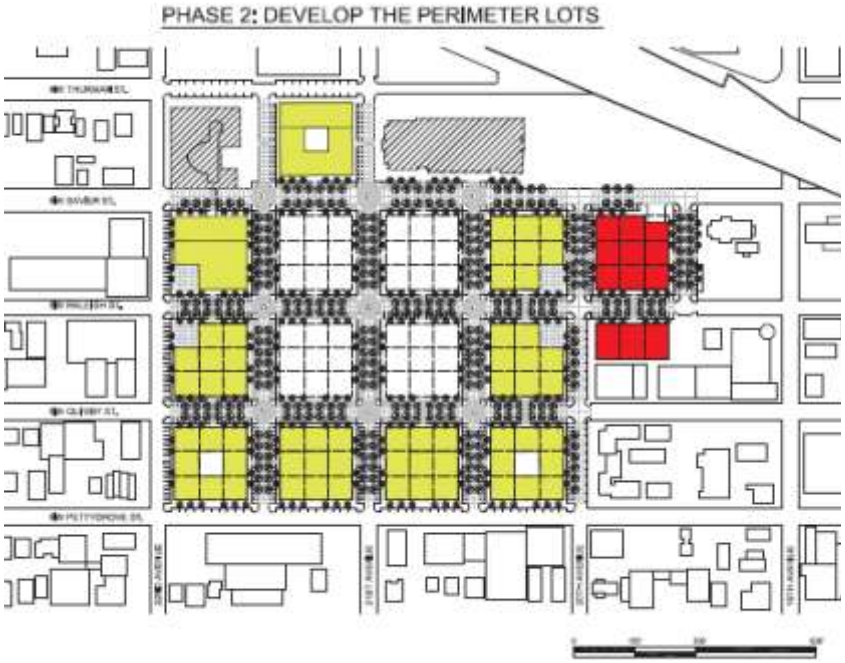
Phase 2

The second phase of development involves finishing the shared streets for the entire site and associated underground parking, and redeveloping the perimeter lots.

The following actions are planned for Phase 2:

- Demolish the truck maintenance building on Block 290 and redevelop the superblock 290-291 with underground parking and shared streets.
- Demolish the Con-way storage warehouse and redevelop Block 296 as two residential/retail blocks with underground parking.
- Sell outlying parcels currently owned by Con-way on Blocks 16, 310 and 311. Purchase Block 297. Complete the block pattern with shared streets. Complete the interconnected one-level underground parking garage bringing to total underground spaces to 1769.
- Develop nine perimeter blocks with low-rise high-density housing (130 units/acre with 1170-1200 total units).
- Provide 10% total square footage as retail/office at ground level of low -rise residential.
- Develop a New Seasons grocery anchor with four stories of housing above on Block 292-E.

Phase 2 brings the total built program to 1,910,000 SF with a total of 3440 parking stalls.



TOTAL PROGRAM

EXISTING CONWAY OFFICE: 408,000

EXISTING RETAIL: 83,000 SF

EXISTING CINEMA: 60,000 SF

EXISTING RESIDENTIAL: 32,000 SF

NEW RESIDENTIAL: 1,170,000 SF (1170 –1200 UNITS)

NEW RETAIL/OFFICE: 117,000 SF

NEW GROCERY (BLOCK 292-W): 40,000 SF

TOTAL PROGRAM: 1,910,000 SF

PHASING

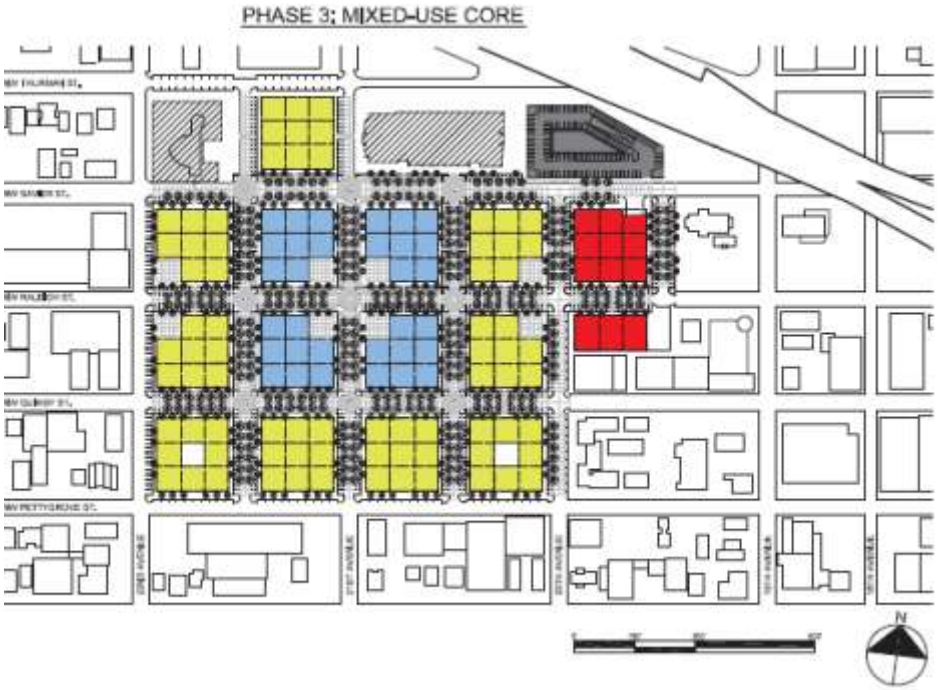
PHASE 3

Phase 3, the final phase, involves completing development at the core of the site with high density development and an open plaza at the center of the site.

The following actions are planned for Phase 3:

- Develop the core blocks (Blocks 290-W, 292-W, 295-E and 296-E)as mid-/high-rise towers with retail at the ground level, 2-3 floors of office or hotel and 10-11 floors of residential units.
- Build a Smart-Park above grade garage on Block 261 (Up to seven levels/875 stalls).
- Preserve an open landscaped plaza at the intersection of NW Raleigh and NW 21st Street for community events.

Phase 3 completes the development with a total program area of 3,763,000 SF and 3769 parking spaces.



TOTAL PROGRAM

EXISTING CONWAY OFFICE: 408,000

EXISTING RETAIL ANCHOR: 80,000 SF

EXISTING RETAIL /OFFICE: 120,000 SF

EXISTING CINEMA: 60,000 SF

EXISTING RESIDENTIAL: 1,203,000 SF (1215—1245 UNITS)

EXISTING GROCERY (BLOCK 292-W): 40,000 SF

NEW RETAIL: 115,000 SF

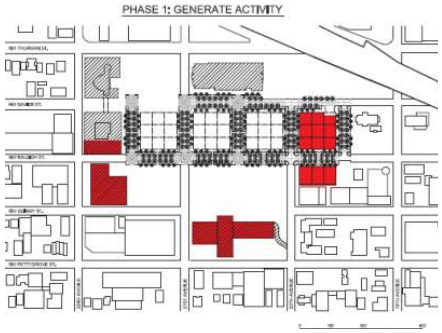
NEW OFFICE: 340,000 SF

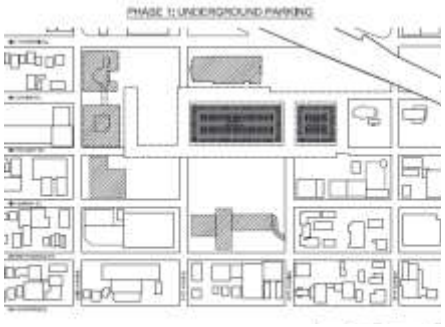
NEW HOTEL: 150,000 SF

NEW RESIDENTIAL: 1,247,000 SF (900-1000 UNITS)

APPROXIMATE TOTAL PROGRAM: 3,763,000 SF

PHASING—PARKING





PHASE 1 TOTAL PARKING COUNT

EXISTING SURFACE LOT 261=158 STALLS

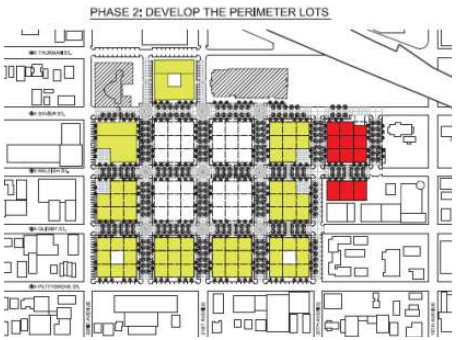
SURFACE LOTS (97 STALLS X 7) = 679 STALLS

ROOF OF TRUCK MAINT. BLDG. = 85 STALLS

NEW SHARED STREET PARKING = 292 STALLS

NEW UNDERGROUND PARKING = 340 STALLS

TOTAL PARKING = 1554 STALLS



PHASE 2 TOTAL PARKING COUNT

EXISTING SURFACE LOT 261=158 STALLS

SURFACE LOTS (97 STALLS X 4) = 679 STALLS

ON- STREET PARKING = 1125 STALLS (833 NEW)

UNDERGROUND PARKING = 1769 STALLS (1429 NEW)

TOTAL PARKING = 3440 STALLS

PHASE 3 TOTAL PARKING COUNT

ON- STREET PARKING = 1125 STALLS

UNDERGROUND PARKING = 1769 STALLS

NEW ABOVE-GROUND GARAGE = 875 STALLS

TOTAL PARKING = 3769 STALLS

DEAL STRUCTURE

The major guiding principles for establishing the deal structures to transform Con-way's property holdings into Conway Commons are as follows:

- Each party, the landowner, the developers, the anchors, the residents and office users, the neighborhood and the City of Portland, must benefit from the development as well as bear some of the risk, but not all of it.

- Each party has different time horizons and the both the risks and rewards should be geared to take advantage of those differences in a long-term development time frame.

- Con-way is a long-term landowner having held land in this location for over 80 years.

- Because of its long tenure, Con-way has acquired these 21 developable acres at a low-cost basis. As a result, it is the party whose costs of carrying the land during the long development period will be the lowest.

- Any developer who does not have to finance the cost of the land at urban development values can develop more economically than one who does and can therefore be more competitive in pricing and absorption.

- The City of Portland has the longest investment period of any party and therefore its return can be deferred longer than any other party in exchange for reaping the tax revenues on the densest development that can reasonably be produced.

- The City of Portland owns the streets, has an obligation to develop and maintain them and profits both economically and culturally when the streets can be developed to their highest and best use for a wide variety of shared activities including transportation, parking, supporting adjacent development more intensively, pedestrian usage, parks, entertainment, recreation, special events and other similar usage.

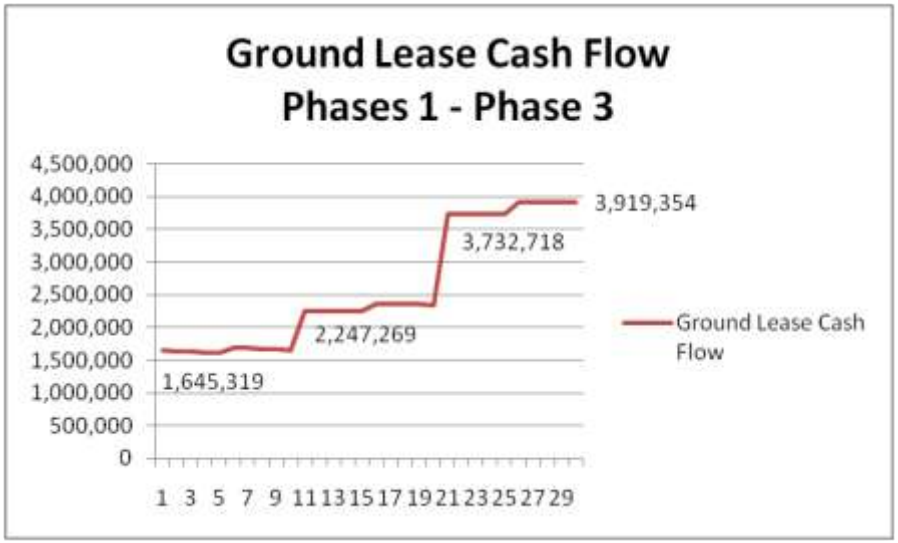
- The City of Portland can obtain capital financing the least expensively of any party through tax-exempt financing at low rates for public purposes, urban neighborhood development through tax-increment financing and state and federal loan and grant programs.

- Streets, parks and parking are public uses and functions. Of these, parking is the only one than can produce a reliable income stream that can be used to support its construction and maintenance.

- Since no developer owns as much parking as the City of Portland, and since the City does not pay taxes on its holdings, the City of Portland can operate parking with the lowest operating expenses, Furthermore, the City can operate it in the public interest to promote shared parking for many uses at all hours of the day accommodating different parking demand peaks of different uses, only a few of which will be owned and controlled by a single or few developers.

GROUND LEASES

The primary assumption for structuring the financial component of this project is that Con-way can and should utilize ground leases to stimulate development at the lowest risk reaping a growing income stream that increases urban land values with development density, until the value of the land increases to its highest urban values over the course of development, and sale of the land becomes more profitable.

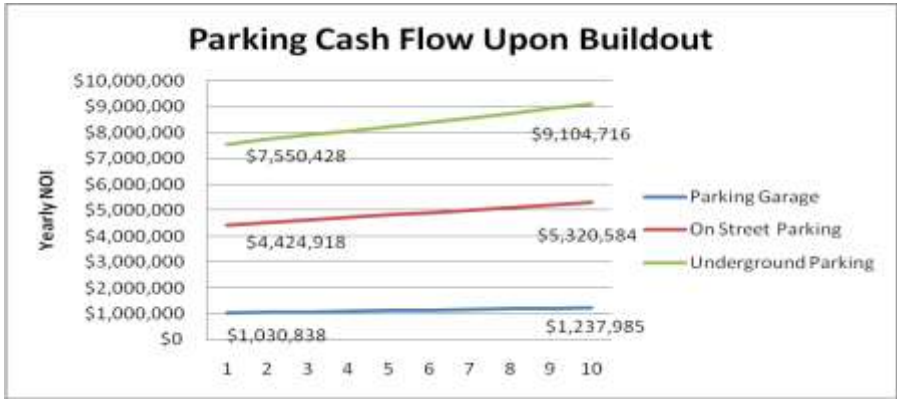


Con-way as ground lessor will realize an escalating income stream with ground rents based on 7.5 percent of then outstanding land values. The values shown on the graph refer to; phase 1, phase 2, phase 3, and build out. The taxes and other carrying costs of the land will be passed through to the lessees in triple net leases so Con-way's investment is of very low risk to it. In fact, if a lessee defaults, Con-way will own the buildings on the land.

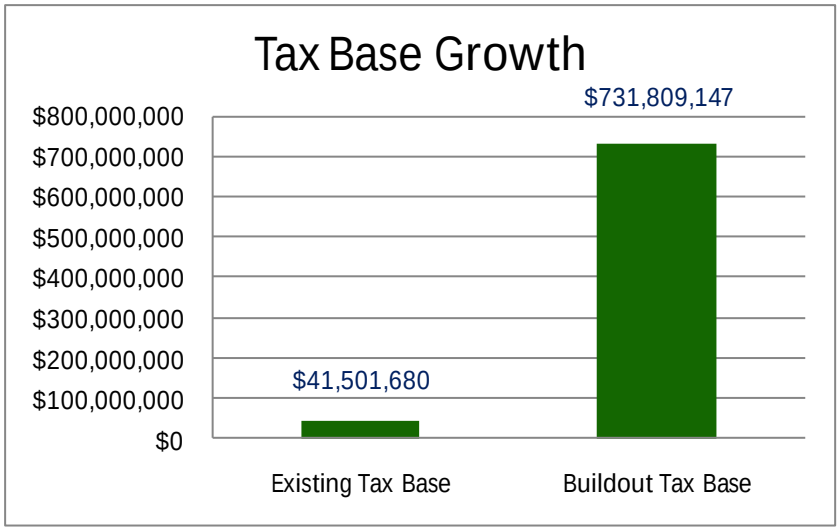
DEAL STRUCTURE

PARKING

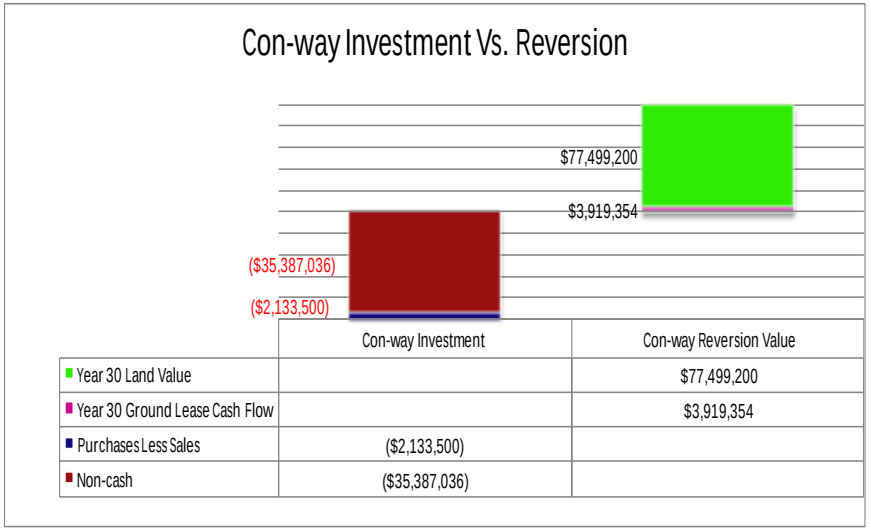
- We propose that there be an agreement with the City to build the streets and the parking using TIF financing, with the City receiving the income from the parking. Meter fees along with garage income will provide the City with a significant return on investment and on-going income stream Under reasonable assumptions of an average 40% vacancy during 12 hours from 7:00 AM to 7:00 PM, and not including overnight and special event parking, an average on-street parking space can generate an annual net operating income of approximately $4,000 per space, cost approximately $10,000 per space in capital cost and support a debt load of approximately $52,000 per space, more than enough to cover the costs of dense tree cover and special paving. Parking would then be provided by use agreements with the developers.
- This also benefits all other parties along with the City.
- Developers are given access to a larger pool of parking than could be provided by a smaller, dedicated owned parking In addition, they do not have to build the parking which lowers their upfront costs. Together without having to directly fund land cost, the developers' capital budgets and risk will be substantially reduced.
- Owners and renters would not have to rent or buy a parking space, which encourages the use of transit. Compare that with a condominium buyer who must often pay in excess of $40,000 to own a parking space that is then available for only a single user and lies vacant whenever the user drives.
- Retailers benefit from a larger quantity of very accessible parking, close to their storefronts, particularly with the perpendicular on-street parking which is unavailable anywhere else in the City. On one block face alone, a retailer will now have 44 shared parking



The City of Portland will realize an escalating income stream from parking; on street, underground and in the above ground garage.



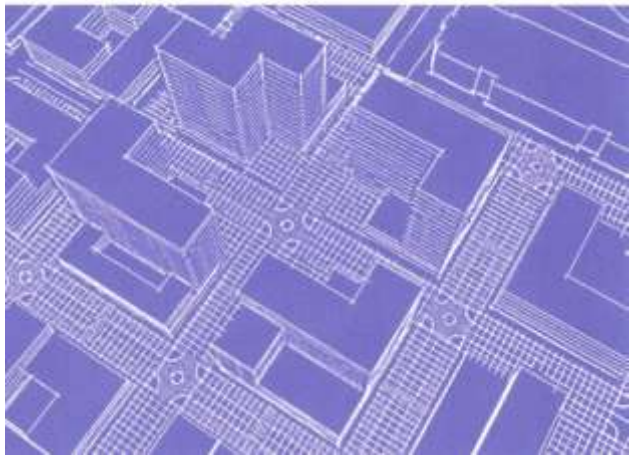
Upon build out the city's tax base will be increased about 20-fold to approximately $731 million .



Con-way's initial investment is a combination of its current land holdings at a very low cost basis as well as the purchase of a neighboring block. Con-way's investment will create an escalating income stream from ground leasing as well as a dramatically increased land value upon build out. This is the lowest risk strategy for Con-way to reap the maximum value from its landholdings.

spaces available compared to only 16 under normal parallel street parking patterns.

- The neighborhood benefits from a successful, dynamic urban area that is a natural outgrowth of, and complements, what currently exists. With the wider streets built as parks, a single 40,000 SF block will have adjacent to it almost 60,000 SF of heavily treed shared parks that will be especially useful to residents evenings and weekends when office users are gone.



Conway Square

CONSTRUCTION

This development will occur in the future and over a longer term. Precise construction costs for future development at uncertain times cannot be predicted because of both unforeseeable volatility in construction costs and the inherent unreliability of market assumptions for conditions up to 10-20 years in the future. For the purposes of our static economic model we are using present day construction costs to price buildings and test rates of return for developers and investors. We assume that the percentage of construction costs relative to the cost of overall development will remain somewhat constant. And while we would anticipate the market to drive changes of use over 10, 15 and 20 years, the strong street and development parcel model framework that we have developed can accommodate those changes at a variety of scales.

SITE IMPROVEMENTS/SHARED STREETS

The 16 square blocks of the refurbished streets will be curbless with scored and stained concrete and brick paving in lieu of asphalt with striping, as far as practicable. In order to create a more park-like and attractive streetscape, double rows of street trees, fountains, lighting, street furniture, art and other landscaping will be required. Our plan shows a density of trees equal to that of the Park Blocks.

We propose that these costs should be borne by the city since much of the streetscape will consist of on-street parking spaces that should be metered and will generate a substantial enough long-term income stream to finance the debt service on URA/TIF bonds and the public has full use of those facilities. Our economic model, below on page 57, shows that the income stream from the 88 on-street spaces per block, at current rates and projected occupancies is more than sufficient to cover these street improvement costs. Moreover, the increased building density that the on-street parking permits also substantially increases the tax base and revenues for the city. Importantly, the cost of operation for the on-street parking is also substantially below that for parking garages that

NEW CONSTRUCTION PROGRAM MIX		
GENERAL RETAIL	100,000	2.98%
RETAIL ANCHOR (TARGET, ETC)	80,000	2.38%
GROCERY	40,000	1.19%
RESTAURANT	75,000	2.24%
CINEMA	60,000	1.79%
MID/HIGH RISE OFFICE	300,000	8.94%
FLEX OFFICE	100,000	2.98%
HOTEL	150,000	4.47%
MID-RISE CONDO (12-14 STORIES)	200,000	5.96%
LOW-RISE APARTMENT (4-5 STORIES)	1,250,000	37.26%
MID-RISE APARTMENT (12-14 STORIES)	1,000,000	29.81%
UNDERGROUND PARKING	577,810	17.22%
ABOVE-GRADE PARKING	312,000	9.30%
		0.00%
NEW RETAIL	**355,000**	**10.58%**
NEW OFFICE	**400,000**	**11.92%**
NEW RESIDENTIAL	**2,450,000**	**73.03%**
TOTAL NEW HOTEL	**150,000**	**4.47%**
TOTAL NEW CONSTRUCTION	**3,355,000**	**100.00%**

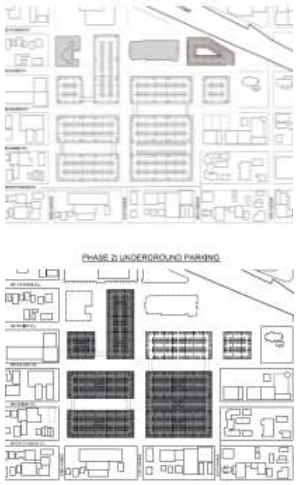
require multiple attendants and substantial utilities costs, which themselves are already provided under normal street maintenance.

UTILITIES

Fortunately the sewers east of NW 21st Avenue restart flowing east, so that there is great flexibility for both the underground parking and building development.

The heavy density of a grid of street tree wells is designed to remove most of the storm water runoff from the streets. In addition, storm sewer laterals will be added from drains down the center of the shared streets. We propose a minimum amount of traffic infrastructure (4-way stops at all intersections) since the traffic-calming effect of the on-street parking yields lower-speed streets and none of the Con-way district is currently, or is expected to be a major traffic arterial since most of it is blocked by the I-405 ramps. (Thurman and Lovejoy are likely to be the main arterials).

Map of sewer lines starting anew at NW 21st Avenue



New parking structures

UNDERGROUND PARKING

The underground parking will be limited to one level below grade. This would reduce the shoring costs by eliminating the need for temporary retaining walls and reduce the effective price per space. Poured in place reinforced concrete construction is estimated at $90-100/SF (RS Means). A typical two-block garage would be 79,000 SF per level with 243 stalls. This would result in an efficient 325 SF/stall, almost a 20% increase in efficiency.

If necessary, the proposed blocks in the later phases with high-density mixed-use structures, could accommodate 2-level underground garages and still be above the water table.

ABOVE GROUND PARKING STRUCTURE

We propose a 5 -7 level structured parking garage on Block 261 to accommodate Con-way and other long-term employees during the day and the proposed grocery, retail and Cineplex anchor traffic during evenings and weekends. Assuming a precast structure with pre-stressed or post-tensioned beams, at 44,500 SF per typical level (125 stalls /level: 356 SF/stall), the estimated cost is $55-60/SF (RS Means).

CONSTRUCTION

RETAIL ANCHORS

We are proposing one retail anchor in Phase 1 to begin the development process. For Block 262 we are proposing a two-story 80,000 SF Target (one story below grade) with a two level 12 -14 screen cinema above.

In Phase 2 a New Seasons grocery anchor is planned for block 292 E, which would be similar construction at 40,000 SF. This structure would serve as a podium for four stories of housing.

Both structures would be steel frame construction with an estimated cost of $110/SF. The cinema is estimated at $140-$150/SF.

LOW RISE RESIDENTIAL

Phase 2 is the first phase planned for significant new construction, including the first residential uses. We recommend limiting construction for the nine perimeter blocks to five levels of construction, allowing for more economical Type-V (sprinkled) wood construction built on a podium of retail or office as required. They will be approximately 110,000 SF with 80-130 units/acre residential density. The estimated cost is $100-$110/SF (RS Means).

MID RISE RESIDENTIAL

Phase 3 would be developed on what we call the core blocks, which are the four central blocks of the project surrounding the intersection of NW 21st and NW Raleigh, the most developed of the retail streets through the district. This is where we are recommending the highest density of the project and propose mid-rise (12 – 14 stories) residential buildings with ground floor office/retail uses. There would be approximately 300,000 SF with a residential density of 250-300 units/acre. The construction would be cast-in-place or post-tensioned concrete construction with an estimated cost of $185-190/SF (RS Means).

MASS TRANSIT

The site is relatively close to the streetcar and we believe at this time an extension of it through the site would not be a wise use of funds. NW Pettygrove is only two blocks from the Northrup line and we prefer to encourage pedestrian links, bicycle and existing city bus routes. The project's location in NW Portland, near the Pearl and CBD makes it very accessible. If future development proves to warrant a streetcar extension, a loop that connects north along NW 20th Avenue to Raleigh Street and travels west with a stop at our central square then heading south on 22nd Avenue and to the existing Marshall Loop would likely be the best location for a future line.

CON-WAY DEVELOPMENT COSTS

Description	Quantity	U/M	Unit Price	Hard Cost Total	Soft Cost Total (19% HC)	Estimated Total Costs	Cost Per Stall
TOTAL SITE AREA	1,197,900	Sq Ft					
SITE DEMOLITION	936,540	Sq Ft	$5	$4,682,700	$889,713	$5,572,413	
ON-SITE	936,540	Sq Ft	$5	$4,682,700	$889,713	$5,572,413	
ESTIMATED LAND IMPROVEMENT COSTS						**$11,144,826**	
ONE-STORY UNDERGROUND PARKING (1769 STALLS)	577,810	Sq Ft	$95	$54,891,950	$10,429,471	$65,321,421	$31,030
STREET PARKING	1,125	Stalls	$10,000	$11,250,000	$2,137,500	$13,387,500	$10,000
ABOVE-GRADE PARKING GARAGE (875 STALLS)	312,000	Sq Ft	$55	$17,160,000	$3,260,400	$20,420,400	$19,611
ESTIMATED OVERALL PARKING COSTS						**$99,129,321**	$26,301
PREMIUM FOR LANDSCAPING AND SITE AMENITIES (15%)						**$14,869,398**	
RETAIL	100,000	Sq Ft	$110	$11,000,000	$2,090,000	$13,090,000	
RETAIL ANCHOR (TARGET)	80,000	Sq Ft	$110	$8,800,000	$1,672,000	$10,472,000	
GROCERY	40,000	Sq Ft	$110	$4,400,000	$836,000	$5,236,000	
RESTAURANT	75,000	Sq Ft	$150	$11,250,000	$2,137,500	$13,387,500	
CINEMA	60,000	Sq Ft	$150	$9,000,000	$1,710,000	$10,710,000	
MID/HIGH RISE OFFICE	300,000	Sq Ft	$185	$55,500,000	$10,545,000	$66,045,000	
FLEX OFFICE	100,000	Sq Ft	$75	$7,500,000	$1,425,000	$8,925,000	
HOTEL	150,000	Sq Ft	$175	$26,250,000	$4,987,500	$31,237,500	
MID-RISE CONDO (12-14 STORIES)	200,000	Sq Ft	$185	$37,000,000	$7,030,000	$44,030,000	
LOW-RISE APARTMENT (4-5 STORIES)	1,250,000	Sq Ft	$110	$137,500,000	$26,125,000	$163,625,000	
MID-RISE APARTMENT (12-14 STORIES)	1,000,000	Sq Ft	$185	$185,000,000	$35,150,000	$220,150,000	
EXISTING CONWAY BLDGS TO REMAIN	408,000	Sq Ft					
ESTIMATED TOTAL BUILDING COSTS						**$586,908,000**	
SUBTOTAL						**$712,051,545**	

TOTAL CONSTRUCTION COSTS		**$712,051,545**
TOTAL NEW BLDG SF		**3,355,000**
TOTAL NEW BLDG w/ PARKING		**4,244,810**
TOTAL PSF		**$168**

ECONOMIC MODEL

OVERALL PROFORMA	*Retail Restaurant*	*Cinema*	*Retail General*	*Retail Anchor*	*Retail Grocery*	*Office*	*Flex*	*Hotel*	*Residential Condo*	*Residential Low Rise Apartments*	*Residential Mid Rise Apartments*	*Parking Garage*	*Parking Street*	*Parking Underground*	*Total*
Leaseable Sq. Ft.	75,000	60,000	100,000	80,000	40,000	270,000	90,000	150,000	200,000	1,250,000	$1,000,000				
Rent PSF/Year	*$28.00*	*$20.00*	*$28.00*	*$20.00*	*$22.00*	*$26.00*	*$20.00*	*	**						
Monthly Rent										*$1,450*	*$2,400*				
Potential Gross Income	**$2,100,000**	**$1,200,000**	**$2,800,000**	**$1,600,000**	**$880,000**	**$7,020,000**	**$1,800,000**	**$19,162,500**	**$10,080,000**	**$21,750,000**	**$28,800,000**	**$1,312,500**	**$7,776,000**	**$2,653,500**	
Vacancy	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*8%*	*25%*	*5%*	*5%*	*5%*	*15%*	*40%*	*15%*	
Less Vacancy	$105,000	$60,000	$140,000	$80,000	$44,000	$351,000	$144,000	$4,790,625	$504,000	$1,087,500	$1,440,000	$196,875	$3,110,400	$398,025	
Effective Gross Income	**$1,995,000**	**$1,140,000**	**$2,660,000**	**$1,520,000**	**$836,000**	**$6,669,000**	**$1,656,000**	**$14,371,875**	**$9,576,000**	**$20,662,500**	**$27,360,000**	**$1,115,625**	**$4,665,600**	**$2,255,475**	**$96,483,075**
Operating Expense	*7.5%*	*7.5%*	*7.5%*	*7.5%*	*7.5%*	*24.0%*	*20.0%*	*45.0%*	*35.0%*	*35.0%*	*35.0%*	*20.0%*	*$100*	*$300*	
Operating Expenses	**$149,625**	**$85,500**	**$199,500**	**$114,000**	**$62,700**	**$1,600,560**	**$331,200**	**$6,467,344**	**$3,351,600**	**$7,231,875**	**$9,576,000**	**$223,125**	**$112,500**	**$530,700**	**$30,036,229**
NOI	$1,845,375	$1,054,500	$2,460,500	$1,406,000	$773,300	$5,068,440	$1,324,800	$7,904,531	$6,224,400	$13,430,625	$17,784,000	$892,500	$4,553,100	$1,724,775	
Ground Rent	$68,379	$36,469	$91,172	$48,625	$36,469	$364,689	$91,172	$182,344	$243,126	$1,139,653	$1,215,630				
NOI Less Ground Rent	**$1,776,996**	**$1,018,031**	**$2,369,328**	**$1,357,375**	**$736,831**	**$4,703,751**	**$1,233,628**	**$7,722,187**	**$5,981,274**	**$12,290,972**	**$16,568,370**	**$859,031**	**$4,413,132**	**$1,657,111**	**$62,688,017**
Return on Cost	13.78%	9.85%	18.80%	13.43%	14.77%	7.67%	14.84%	25.30%	7.61%	7.51%	7.53%	4.21%	34.01%	2.54%	**18.17%**
Return on Equity															**28.62%**
IRR															**29.55%**

*Hotel Room Rate of $175/night, and RevPar of $95.81

**Residential Condominiums were analyzed as rentals and with NOI and a cap rate of 7.5%, would not be feasible until market reached $400 psf

Starting with the assumption of a minimum acceptable return on cost of 7.5%, we determined viability of the project by working back, establishing a needed tenant rental rate and rate for the ground lease. The entire site was viewed as a whole, tested against the markets and economic realities and then analyzed for each type of block at each phase.

FINAL BUILDOUT PROGRAM MIX	SQ. FEET	
GENERAL RETAIL	100,000	2.66%
RETAIL ANCHOR (TARGET, ETC)	80,000	2.13%
GROCERY	40,000	1.06%
RESTAURANT	75,000	1.99%
CINEMA	60,000	1.59%
MID/HIGH RISE OFFICE	300,000	7.97%
FLEX OFFICE	100,000	2.66%
HOTEL	150,000	3.99%
MID-RISE CONDO (12-14 STORIES)	200,000	5.31%
LOW-RISE APARTMENT (4-5 STORIES)	1,250,000	33.22%
MID-RISE APARTMENT (12-14 STORIES)	1,000,000	26.57%
EXISTING CONWAY OFFICE TO REMAIN	408,000	10.84%
UNDERGROUND PARKING (1769 SPACES)	577,810	15.36%
ABOVE-GRADE PARKING GARAGE (875 SPACES)	312,000	8.29%
RESIDENTIAL	**2,450,000**	**65.11%**
OFFICE	**808,000**	**21.47%**
RETAIL	**355,000**	**9.43%**
HOTEL	**150,000**	**3.99%**
TOTAL AREA	**3,763,000**	**100.0%**

OVERALL PROGRAM

Based on the shared parking matrix a total development pro-forma was created to determine what the project would look like at completion. The table above summarizes the overall development. We tested the return on cost for current market rental rates and if returns did not reach 7.5%, rates were adjusted. The level of rent needed to reach and ROC of 7.5% indicate that it may not be feasible to build in the immediate future, but reasonable returns on cost are feasible in the near future.

PHASE I PARKING	*Existing Surface Lot Spaces*	*Parking Street*	*Parking Underground*	*Total*
Rate Per Hour		$1.60		
Hours Per Day		$12.00		
Days Per Year		$360		
Annual Revenue Per Stall		$6,912		
Total Stalls	922	292	340	
Average Income/stall/mo.	*$125.00*	*$576*	*$130.00*	
Potential Gross Income	**$1,383,000**	**$2,018,304**	**$530,400**	
Vacancy	*15%*	*45%*	*15%*	
Less Vacancy	$207,450	$908,237	$79,560	
Effective Gross Income	**$1,175,550**	**$1,110,067**	**$450,840**	**$2,736,457**
Operating Expense/stall/yr.	*20%*	*$100*	*$300*	
Operating Expenses	**$235,110**	**$29,200**	**$102,000**	**$366,310**
NOI	$940,440	$1,080,867	$348,840	
Capital Reserves	$35,267	$33,302	$13,525	
NOI (deducting for capital reserves)	**$905,174**	**$1,047,565**	**$335,315**	**$2,288,053**
Annual Debt Service				**677,897**
Net Cash Flow				**1,610,157**
Return on Cost		**28.47%**	**2.72%**	**14.21%**
Return on Equity				**24.99%**
IRR				**33.95%**

PHASE 1 PARKING

In Phase 1, parking will consist of 922 existing surface lot spaces, 292 new street parking and 340 underground stalls. The parking will be financed by the city through tax increment financing. The model assumes a 1.1 debt coverage ratio, interest rate of 5%, with a 25 year term. The rates for parking are based on today's market rates. The parking income covers the debt service on the TIF.

PHASE 1 ANCHOR RETAIL BLOCK	Target	Cinema	*Total*
Leasable Sq. Ft.	75,000	50,000	125,000
x Rt/sf/yr	$20.00	$20.00	
Potential Gross Income	1,500,000	1,000,000	
Vacancy	5%	5%	
Less Vacancy	$75,000	$50,000	
Effective Gross Income	$1,425,000	$950,000	$1,425,000
Operating Expense Ratio	7.5%	7.5%	
Operating Expenses	$106,875	$71,250	$106,875
NOI	$1,318,125	$878,750	
Ground Rent	$90,000	$60,000	$150,000
NOI less Ground Rent	$1,228,125	$818,750	$2,046,875
Return on Cost	10.82%	8.15%	**9.16%**
Return on Equity			**11.02%**
IRR			**18.88%**

PHASE 1 ANCHOR RETAIL AND CINEMA

During the first phase, an ideal anchor tenant would be a retailer such as Target and a Cineplex to draw people to the site. The location chosen for the anchor in phase 1 is a 40,000 square feet of land with a ground lease based on a land value of $50 per square foot and a lease rate of 7.5%. The land value was estimated based on today's current land values and to keep it cost effective to attract a developer and retailer. Construction costs for the Target are estimated at $115 per square foot and $150 per square foot for the cinema and tenant improvement allowances of $15.00 per square foot. The model assumes a debt coverage ratio of 1.25, interest rate of 6.25%, and a 25-year term.

ECONOMIC MODEL

PHASE I RESIDENTIAL BLOCK	Ground Retail	Residential	*Total*
Leasable Sq. Ft.	4,860	54,000	59,400
Total Units		80	
x Rt/sf/yr	$28.00		
Potential Gross Income	136,080	1,096,500	
Vacancy	5%	5%	
Less Vacancy	$6,804	$54,825	
Effective Gross Income	$129,276	$1,041,675	$1,170,951
Operating Expense Ratio	7.5%	35.0%	
Operating Expenses	$9,696	$364,586	$374,282
NOI	$119,580	$677,089	
Ground Rent	$6,818	$68,182	$75,000
NOI less Ground Rent	$112,762	$608,907	$721,669
Return on Cost	12.41%	7.36%	**7.54%**
Return on Equity			**11.78%**
IRR			**19.46%**

	Unit Square Feet	Gross Monthly Rent	Rent PSF	# of Units	% Unit Mix
Studio-1 bath	450	$825	$1.83	35	44%
1-BR-1 bath	600	$1,100	$1.83	25	31%
2-BR-1 bath	975	$1,750	$1.79	20	25%
Total				**80**	

Unit Mix/Rental Rates:

The rates were adjusted to reach a 7.5% return on cost.

PHASE 1 RESIDENTIAL

There will only be one block of potential residential and/or retail development within the first phase on 26,000 square feet of land with a ground lease based on a land value of $50 per square foot and a rate of 7.5%. Again, the economical land value is based on the current market and to make the site attractive to a developer and attract future development. Construction costs for the residential are estimated at $110 per square foot and $110 per square foot for the retail. Tenant improvement allowances for the retail are estimated at $15 per square foot. The model assumes a debt coverage ratio of 1.1, interest rate of 6.0%, and a 40-year term based on 221 (d)(4) financing. We believe this is optimized in the current market and that our framework will allow a range of possibilities over time.

PHASE 2 PARKING

The remainder of the parking will be developed throughout phase 2 and since timing and size will be determined as the site is built out, the final parking economics are described in phase 3.

PHASE 2 GROCERY ANCHOR/RESIDENTIAL

During the second phase, a large amount of residential will be developed and a grocery anchor will support and compliment the residential development. The location is a 40,000 square feet of land with a ground lease based on a land value of $75 per square foot and a lease rate of 7.5%. The land value was estimated based on the increased interest in development in the area due to the first phase of development and anticipated increases in land values over 10+ years. Construction costs for the grocer are estimated at $110 per square foot and $110 per square foot for the residential and tenant improvement allowances of $15.00 per square foot for the grocer. The model assumes a debt coverage ratio of 1.25, interest rate of 6.25%, and a 25-year term.

PHASE 2 ANCHOR & RESIDENTIAL BLOCK	New Seasons	Residential	*Total*
Leasable Sq. Ft.	38,000	152,000	190,000
Total Units		168	
x Rt/sf/yr	$24.00		
Potential Gross Income	820,800	2,616,000	
Vacancy	5%	5%	
Less Vacancy	$41,040	$130,800	
Effective Gross Income	$779,760	$2,485,200	$3,264,960
Operating Expense Ratio	7.5%	35.0%	
Operating Expenses	$58,482	$869,820	$928,302
NOI	$721,278	$1,615,380	
Ground Rent	$45,000	$180,000	
NOI less Ground Rent	$676,278	$1,435,380	$2,111,658
Return on Cost	36.70%	6.92%	**7.61%**
Return on Equity			**7.16%**
IRR			**15.06%**

	Unit Square Feet	Gross Monthly Rent	Rent PSF	# of Units	% Unit Mix
Studio-1 bath	400	$1,000	$2.50	88	52%
1-BR-1 bath	500	$1,250	$2.50	40	24%
2-BR-1 bath	800	$2,000	$2.50	40	24%
Total				**168**	

Unit Mix/Rental Rates: The rates were adjusted to reach a 7.5% return on cost

ECONOMIC MODEL

The following retail/residential show a variety of development solutions available for different blocks The retail will account for approximately 10% of the total block development making the projects eligible for 221 (d)(4) financing.

Maintaining a ground floor with 10% retail for the building gives us an opportunity to have retail at prime corners with higher rent and live/ work units along the arcade into a center courtyard. This provides an active streetscape and options for ground floor uses over time.

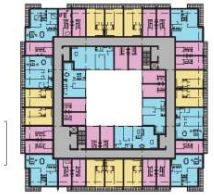
PHASE 2 RESIDENTIAL BLOCK	Retail	Donut	*Total*
Leasable Sq. Ft.	13,630	112,000	125,630
Total Units		184	
x Rt/sf/yr	$28.00		
Potential Gross Income	381,640	2,402,400	
Vacancy	5%	5%	
Less Vacancy	$19,082	$120,120	
Effective Gross Income	$362,558	$2,282,280	$2,644,838
Operating Expense Ratio	7.5%	35.0%	
Operating Expenses	$27,192	$1,483,482	$825,990
NOI	$335,366	$1,483,482	
Ground Rent	$24,411	$200,589	
NOI less Ground Rent	$310,955	$1,282,893	$1,593,848
Return on Cost	13.02%	7.15%	**7.53%**
Return on Equity			**12.45%**
IRR			**19.11%**

	Unit Square Feet	Gross Monthly Rent	Rent PSF	# of Units	% Unit Mix
Studio-1 bath	450	$775	$1.72	88	48%
1-BR-1 bath	600	$1,050	$1.75	40	22%
1-BR-1.5 bath	783	$1,375	$1.76	16	9%
2-BR-1 bath	975	$1,700	$1.74	40	22%
Total				**184**	

Unit Mix/Rental Rates: The rates were adjusted to reach a 7.5% return on cost.

DONUT RESIDENTIAL/RETAIL

Conceived for the lower rise projects the donut or 'O' - Shape has 48 units per level This plan would work well as 1-2 level podiums with bar or L-shape plans above.



PHASE 2 RESIDENTIAL BLOCK	Retail	Bar	*Total*
Leasable Sq. Ft.	5,400	43,200	48,600
Total Units		64	
x Rt/sf/yr	$28.00		
Potential Gross Income	136,080	1,026,960	
Vacancy	5%	5%	
Less Vacancy	$6,804	$51,348	
Effective Gross Income	$129,276	$975,612	$1,104,888
Operating Expense Ratio	7.5%	35.0%	
Operating Expenses	$9,696	$341,464	$351,160
NOI	$119,580	$634,148	
Ground Rent	$12,500	$100,000	
NOI less Ground Rent	$107,080	$534,148	$641,228
Return on Cost	10.88%	7.39%	**7.52%**
Return on Equity			**13.05%**
IRR			**20.28%**

PHASE 2 RESIDENTIAL BLOCK	Retail	S	*Total*
Leasable Sq. Ft.	8,100	72,000	81,000
Total Units		108	
x Rt/sf/yr	$28.00		
Potential Gross Income	226,800	1,833,600	
Vacancy	5%	5%	
Less Vacancy	$11,340	$91,680	
Effective Gross Income	$215,460	$1,741,920	$1,957,380
Operating Expense Ratio	7.5%	35.0%	
Operating Expenses	$16,160	$609,672	$625,832
NOI	$199,301	$1,132,248	
Ground Rent	$25,000	$200,000	
NOI less Ground Rent	$174,301	$932,248	$1,106,549
Return on Cost	10.28%	7.47%	**7.52%**
Return on Equity			**8.89%**
IRR			**16.80%**

	Unit Square Feet	Gross Monthly Rent	Rent PSF	# of Units	% Unit Mix
Studio-1 bath	450	$960	$2.13	28	44%
1-BR-1 bath	600	$1,275	$2.13	20	31%
2-BR-1 bath	975	$2,075	$2.13	16	25%
Total				**64**	

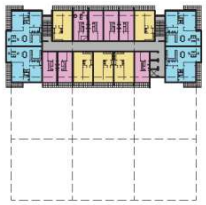
Unit Mix/Rental Rates: The rates were adjusted to reach a 7.5% return on cost.

	Unit Square Feet	Gross Monthly Rent	Rent PSF	# of Units	% Unit Mix
Studio-1 bath	450	$1,000	$2.22	52	48%
1-BR-1 bath	600	$1,400	$2.33	28	26%
2-BR-1 bath	975	$2,200	$2.26	28	26%
Total				**108**	

Unit Mix/Rental Rates: The rates were adjusted to reach a 7.5% return on cost.

BAR RESIDENTIAL/RETAIL

This plan has 16 units and approximately 13,000 SF per level, an efficient layout (85% -90% rentable space) and features 2 BR units with multiple exposures on both ends. Multiple bar buildings could fit on a typical block and/or be interconnected.



S RESIDENTIAL/RETAIL

Conceived for the midrise projects the S-Shape has 27 units per level at 22,000 per level. This plan vertically integrates with lower level office and hotel plans.

ECONOMIC MODEL

PHASE 2 RESIDENTIAL BLOCK	Retail	U	*Total*
Leasable Sq. Ft.	12,500	100,000	112,500
Total Units		152	
x Rt/sf/yr	$28.00		
Potential Gross Income	262,500	2,330,400	
Vacancy	5%	5%	
Less Vacancy	$13,125	$116,520	
Effective Gross Income	$249,375	$2,213,880	$2,463,255
Operating Expense Ratio	7.5%	35.0%	
Operating Expenses	$18,703	$774,858	$793,561
NOI	$230,672	$1,439,022	
Ground Rent	$25,000	$200,000	
NOI less Ground Rent	$205,672	$1,239,022	$1,444,694
Return on Cost	9.24%	7.60%	**7.50%**
Return on Equity			**8.83%**
IRR			**17.22%**

PHASE 2 RESIDENTIAL BLOCK	Retail	L	*Total*
Leasable Sq. Ft.	9,000	72,000	81,000
Total Units		108	
x Rt/sf/yr	$28.00		
Potential Gross Income	226,800	1,840,800	
Vacancy	5%	5%	
Less Vacancy	$11,340	$92,040	
Effective Gross Income	$215,460	$1,748,760	
Operating Expense Ratio	7.5%	35.0%	
Operating Expenses	$16,160	$612,066	
NOI	$199,301	$1,136,694	
Ground Rent	$25,000	$200,000	
NOI less Ground Rent	$174,301	$936,694	
Return on Cost	10.28%	7.50%	**7.55%**
Return on Equity			**8.97%**
IRR			**16.91%**

	Unit Square Feet	Gross Monthly Rent	Rent PSF	# of Units	% Unit Mix
Studio-1 bath	450	$950	$2.11	76	50%
1-BR-1 bath	600	$1,250	$2.08	40	26%
2-BR-1 bath	975	$2,000	$2.05	36	24%
Total				**152**	

L	Unit Square Feet	Gross Monthly Rent	Rent PSF	# of Units	% Unit Mix
Studio-1 bath	450	$1,025	$2.28	52	48%
1-BR-1 bath	600	$1,375	$2.29	28	26%
2-BR-1 bath	975	$2,200	$2.26	28	26%
Total				**108**	

U-RESIDENTIAL/RETAIL

Conceived for the lower rise projects the U-Shape has 38 units per level with 30,000 SF per level.

L -RESIDENTIAL

Conceived for the midrise projects the L-Shape has 27 units per level, with 22,000 SF per level .Most units have favorable exposures that could be oriented toward views of Mt. Hood or the west hills.

FINAL PARKING	*Garage*	*Street*	*Underground*	*Total*
Rate Per Hour		$1.75		
Hours Per Day		$12.00		
Days Per Year		$360		
Annual Revenue Per Stall		$7,560		
Total Stalls	875	1,125	1,769	3,769
Average Income/stall/mo.	*$150*	*$630*	*$150*	
Potential Gross Income	**$1,575,000**	**$8,505,000**	**$3,184,200**	
Vacancy	*15%*	*45%*	*15%*	
Less Vacancy	$236,250	$3,827,250	$477,630	
Effective Gross Income	**$1,338,750**	**$4,677,750**	**$2,706,570**	**$8,723,070**
Operating Expense/stall/yr.	*20%*	*$100*	*$300*	
Operating Expenses	**$267,750**	**$112,500**	**$530,700**	**$910,950**
NOI	$1,071,000	$4,565,250	$2,175,870	
Capital Reserves	$40,163	$140,333	$81,197	
NOI (deducting for capital reserves)	**$1,030,838**	**$4,424,918**	**$2,094,673**	**$7,550,428**
Annual Debt Service				**4,347,712**
Return on Cost	5.09%	34.39%	3.23%	
Overall Return on Cost				**7.31%**
Overall Return on Equity				**7.75%**
IRR				**13.90%**

	Unit Square Feet	Gross Monthly Rent	Rent PSF	# of Units	% Unit Mix
Studio-1 bath	450	$1,025	$2.28	175	50%
1-BR-1 bath	600	$1,375	$2.29	88	25%
2-BR-2 bath	975	$2,225	$2.28	88	25%
Total				**351**	

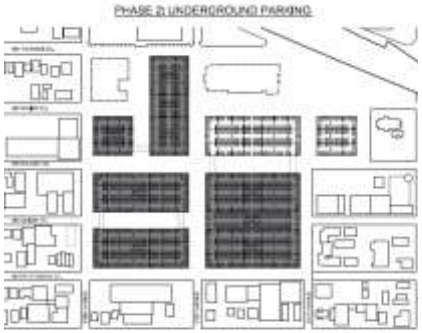
Residential Unit Mix/Rental Rates: All three block developments use the above mix and rates. The rates were adjusted to reach a 7.5% return on cost.

PHASE 3 PARKING

Parking will be complete in this phase and will consist of 875 above ground parking garage space, 1,125 street parking and 1,769 underground stalls. The parking will be financed by the city through tax increment financing. The model assumes a 1.1 debt coverage ratio, interest rate of 5%, with a 25 year term. The parking income covers the debt service on the TIF.

During Phase 3, the four core blocks will be developed and will consist of high density, 13+ floor buildings. The block

pro formas examine a mix of residential, office, hotel, and retail.



Phase 2 Parking


Phase 3 Parking

RETAIL/RESIDENTIAL

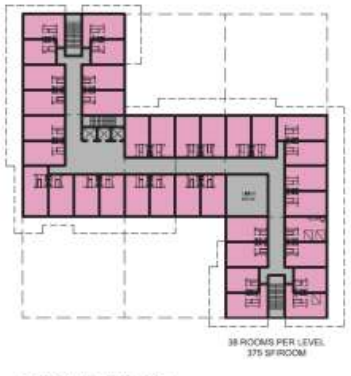
PHASE 3 MIXED BLOCK	Retail	Residential	Hotel	*Total*
Leasable Sq. Ft.	32,400	180,000	72,000	288,000
Total Units		351	152	
x Rt/sf/yr	$28.00			
Potential Gross Income	907,200	5,954,100	9,709,000	
Vacancy	5%	5%	25%	
Less Vacancy	$45,360	$297,705	$2,427,250	
Effective Gross Income	$861,840	$5,656,395	$7,281,750	$13,799,985
Operating Expense Ratio	7.5%	35.0%	45.0%	
Operating Expenses	$64,638	$1,979,738	$3,276,788	$5,321,164
NOI	$797,202	$3,676,657	$4,004,963	
Ground Rent	$37,500	$187,500	$75,000	
NOI less Ground Rent	$759,702	$3,489,157	$3,929,963	$8,178,821
Return on Cost	12.77%	7.97%	23.64%	**11.79%**
Return on Equity				**17.61%**
IRR				**26.04%**

RETAIL /HOTEL/OFFICE

PHASE 3 MIXED BLOCK	Retail	Office	Hotel	*Total*
Leasable Sq. Ft.	32,400	180,000	72,000	288,000
Total Units			152	
x Rt/sf/yr	$28.00	$24.00		
Potential Gross Income	907,200	5,054,400	9,709,000	
Vacancy	5%	5%	25%	
Less Vacancy	$45,360	$252,720	$2,427,250	
Effective Gross Income	$861,840	$4,801,680	$7,281,750	$12,945,270
Operating Expense Ratio	7.5%	24.0%	45.0%	
Operating Expenses	$64,638	$1,152,403	$3,276,788	$4,493,829
NOI	$797,202	$3,649,277	$4,004,963	
Ground Rent	$37,500	$187,500	$75,000	
NOI less Ground Rent	$759,702	$3,461,777	$3,929,963	$8,151,441
Return on Cost	12.77%	7.29%	23.64%	**10.77%**
Return on Equity				**15.06%**
IRR				**21.99%**

RETAIL/RESIDENTIAL/OFFICE

PHASE 3 MIXED BLOCK	Retail	Residential	Office	*Total*
Leasable Sq. Ft.	36,000	180,000	72,000	288,000
Total Units		351		
x Rt/sf/yr	$28.00		$24.00	
Potential Gross Income	907,200	5,954,100	1,555,200	
Vacancy	5%	5%	5%	
Less Vacancy	$45,360	$297,705	$77,760	
Effective Gross Income	$861,840	$5,656,395	$1,477,440	$7,995,675
Operating Expense Ratio	7.5%	35.0%	24.0%	
Operating Expenses	$64,638	$1,979,738	$354,586	$2,398,962
NOI	$797,202	$3,676,657	$1,122,854	
Ground Rent	$37,500	$187,500	$75,000	
NOI less Ground Rent	$759,702	$3,489,157	$1,047,854	$5,296,713
Return on Cost	12.77%	7.97%	5.23%	**7.59%**
Return on Equity				**7.10%**
IRR				**12.87%**



Hotel

Ground floor retail/residential

	Market Value Basis	PHASE 1 Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Ground Lease Revenue		1,950,756	1,950,756	1,950,756	1,950,756	1,950,756	2,048,294	2,048,294	2,048,294	2,048,294	2,048,294	
Carrying Costs		305,437	314,600	324,038	333,759	343,772	354,085	364,707	375,649	386,918	398,526	
Cash Flow	($35,387,036)	1,645,319	1,636,156	1,626,718	1,616,997	1,606,984	1,694,209	1,683,586	1,672,645	1,661,376	1,649,768	
		PHASE 2 Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	
Ground Lease Revenue		$2,297,250	$2,297,250	$2,297,250	$2,297,250	$2,297,250	$2,412,113	$2,412,113	$2,412,113	$2,412,113	$2,412,113	
Carrying Costs		49,981	51,480	53,025	54,615	56,254	57,942	59,680	61,470	63,314	65,214	
Cash Flow		2,247,269	2,245,770	2,244,225	2,242,635	2,240,996	2,354,171	2,352,433	2,350,642	2,348,798	2,346,899	
		PHASE 3 Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Terminal Value
Ground Lease Revenue		$3,732,718	$3,732,718	$3,732,718	$3,732,718	$3,732,718	$3,919,354	$3,919,354	$3,919,354	$3,919,354	$3,919,354	
Carrying Costs		0	0	0	0	0	0	0	0	0	0	
Cash Flow		3,732,718	3,732,718	3,732,718	3,732,718	3,732,718	3,919,354	3,919,354	3,919,354	3,919,354	3,919,354	77,499,200
IRR	**7.13%**											

CON-WAY GROUND LEASE

Based on the current real market basis of $35,387,036 and a conservative terminal value of $100 per square foot for the land, Con-Way can anticipate a 7.13% IRR on the ground leasing. Ground leasing allows the landowner to hold onto the land until it can realize its full potential of value. This presents lower risks, provides a growing income stream and captures the highest urban land values at build-out. If a developer defaults, Con-way will own the building. Ground leasing also permits sub-leasing without sub-dividing and encourages faster development momentum.

PROGRAM DEVELOPMENT OVERVIEW

ZONING AND PLANNING

We have examined existing planning and zoning and have determined that an increase in FAR from 3:1 to 4:1 is justified and consistent with the Comprehensive Plan and neighborhood intentions. In addition, to increase architectural variety we recommend an increase in height to 195'. All parcels in this development are EXd – central employment with a design overlay, with the exception of blocks 16 (IG) and blocks 310 – 311 (CS). Maximum FAR in an EX zone is 3:1 and maximum height is 65 feet (75 with bonuses). Industrial zones have no height limit. The design overlay zone indicates a design review process is mandatory with the character of the neighborhood being of special concern.

This site falls within the Northwest Plan District which has the following regulations above and beyond the base zoning:

Retail sales and service uses are restricted to 3,000 SF of net building area for each use on Blocks 294W, 295W, 297W, 293E, 292E 290-291E per Map 562-2. Maximum Floor Area Ratios are shown on Map 562-5. Blocks on this property are limited to an FAR of 1:1 for non-residential use.

Parking assumptions for the largest FAR were for 2 levels of parking under all sites for the largest FAR and that the resulting scale of development in this location required building heights and mass far out of proportion with surrounding development and at high cost and risk.

Zoning Map GBD ARCHITECTS

Aerial of site showing blocks currently owned by Con-way.

PROGRAM DEVELOPMENT OVERVIEW

The proposed development exceeds current zoning and planning requirements but in doing so fulfills the intent of the zoning and planning guidelines by creating an increased density for the area of an overall FAR of 4:1, while minimizing parking. Even with the proposal for more density, we believe the intent of the NW Plan District is met. In phasing the development, we are beginning with low-rise, high-density housing at the perimeter, realizing about 130 units per acre with heights no higher than 5 stories, gradually building to higher buildings up to 15 stories on the four blocks at the core of the site. We believe this is a rational development pattern from an economic point of view as well as a beneficial strategy for the neighborhood as a whole. The street parks and center plaza are amenities incorporated throughout the development and the flexibility of the streets and parking solution will be an asset for both the short and long term.

CONCLUSION

STREET PARKS

The key to our solution to the parking problem of converting an area covered by inexpensive surface parking lots to high-density urban development is the creation of "Street Parks".

A Street Park is an 80' curb-less right-of-way between two blocks that contains two lanes of traffic, 44 perpendicular parking spaces, two arcaded covered sidewalks and is covered by double rows of at least 20 street trees both inboard and outboard of the parking spaces, a tree density equal to, or exceeding, the Park Blocks.

We devised Street Parks because they:

- Provide 275% more on-street shared parking than parallel parking;
- Therefore support almost 300% more building density and tax revenue at our weighted average parking ratio of 1.0 per 1,000.
- Can be built for about 80% less than the cost of an underground space;
- Generate an annual net operating income of about $4000 per space;
- Can support tax-exempt debt of about $52,000 per space, enough to pay for the street trees and other street furniture and special paving;
- Can expand and contract uses to accommodate not only parking but also cafés, performance spaces, special events and other pedestrian activities;
- Provide about three times the convenient, short-term, easily accessible parking for retailers;
- Create a special identity to the whole Conway Commons district at relatively low cost;
- Can be built in phases in conjunction with market-driven demand for a variety of mixed-uses.
- Act as a stimulus for new private development;
- Encourage transit to the extent that developers and buyers purchase and consume fewer private parking spaces reserved for a single use and user;
- Permit full public use and enjoyment of the Street Parks and public investment from day one of development and only improve as the network of Street Parks is expanded and completed.

SHARED PARKING

Instead of approaching density on the site from the standpoint of achieving a particular FAR which may not be supported by achievable parking, our shared parking strategy optimizes density and mix of uses by maximizing the use

of available on-site parking, minimizing the need for spaces. Developing a matrix based on uses and parking demand over twenty–four hour periods for a full course of a typical week, we achieved a parking bonus premium of almost 30%. In other words we are able to provide the equivalent program of a 5.3 FAR that demands 5,300 parking spaces while providing the same effective parking ratios with less than 3,800 spaces. The net gain of over 1,500 spaces at no additional cost provides the following benefits:

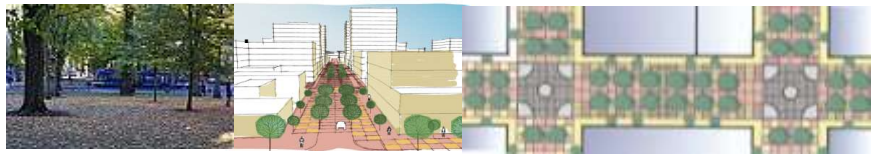
- The owner will realize increased value in land and leases over time with lower upfront development costs related to parking.
- The City saves over $60,000,000 in what would have been construction costs for underground parking for the 1507 shared spaces.
- The developers gain 1.3 million SF of developable space without having to dedicate more land for parking.
- The tenants have lower costs related to parking and diversity of users encouraged by the overlap of use of the spaces.
- The renters will have lower costs if they do not have to rent a parking space. With the higher density, transit is encouraged and over time the need for owning a car may be diminished.

The neighborhood benefits from a solution that mitigates the conflicting goals of addressing the parking needs of the area while minimizing the impact of vehicular use.

URBAN BLOCK DESIGN CONCEPT

By creating a finer grained city block grid we have created a pedestrian friendly scale to the neighborhood with accessible on-street parking, encouraging more diverse development throughout the site. Because of the concept of street parks this also infuses the project with an amenity rather than confining it to discrete parts of the site. This has positive impacts as follows:

- The owner benefits from being able to extend ground leases to a wide variety of developers over an extended time period.
- The city benefits from increased revenue from an eight-fold increased tax base, greater revenues and a growing income stream from on-street parking.
- The developers benefit from a more diverse choice of development parcels with lower development costs and increased accessibility to their sites.
- The tenants benefit from triple the quantity of accessible on-street parking and improved street frontage.
- The neighborhood benefits from increased services, more parks, less parking spillover to their streets and a finer grained development built incrementally as were their neighborhoods.



MULTIBLOCK UNDERGROUND PARKING

The concept of multi-block underground parking:

- Makes cost effective horizontal mixed-use possible.
- Permits a shared parking pool to serve multiple uses with the same covered parking.
- Increases the density of development possible above.
- Increases the value of the land.
- Reduces cost per space.
- Increase city tax and parking revenue.

MODULAR DEVELOPMENT PARCEL—MARKET DRIVEN FLEXIBILTY

With the framework of the 60' x 60' grid of the flexible development module we have mitigated the uncertainty of the market in a difficult and unpredictable time. We have done this by:

- Creating flexibility among blocks to develop market driven uses, at different scales, on multiple blocks, at different times according to a common pattern.
- Allowing opportunity for the owner to sub-lease parcels to a variety of developers with diverse projects.
- Giving developers the ability to have flexibility in building types and uses to respond to the market.
- Allowing opportunity for tenants to reconfigure as their needs change.
- Promoting benefits to the neighborhood from the diversity of uses, incremental growth and likelihood of small scale amenities being included in a finer grain of development.

FLEXIBLE CENTRAL SQUARE

By using less than half of a block (4 x 60' x 60' modules) located strategically around our central intersection of NW 21st and Raleigh Street, we create a full block, central square that can be used for events as well as normal traffic and parking.

ANCHOR RETAIL STRATEGY

The anchor retail strategy provides a level of retail shopping currently not present in the downtown area. Our anchors complement the specialty retail of the 650,000 SF on NW 21st/23rd Ave. bringing the total 1 million SF, double the size of Bridgeport Village and almost equal to downtown and Lloyd Center By bringing in a large anchor such as Target there are many benefits:

- The owner and developers will realize early increased activity on the site by providing something currently lacking in the area and setting up interest for further development.
- Smaller tenants will have incentive to locate in this development to take advantage of the on-going activity generated by the anchors.
- The prospective residents will have the retail nearby

- The neighborhood will benefit from increased economic activity, services and jobs.

GROUND LEASING VALUE CAPTURE

Utilizing ground leases gives the owner a low risk, income generating approach to development while being able to hold onto the land until it can realize its full potential of value. Benefits are as follows:

- Lower risks for the landowner.
- Creates growing income stream.
- Captures highest urban land values at build-out.
- Retains landowner control
- Eliminates developer's need to finance land.
- Reduces developer's cost
- Speeds absorption time with lower rents,
- Permits subleasing without subdividing.
- Encourages a faster development momentum.

PERIPHERAL /CENTRAL STRATEGIC PHASES

Phasing benefits all parties.

- The owner can begin development with low risk, setting the stage for later investment.
- Developers can begin with projects that the surrounding neighborhoods can support and not have to count on major concurrent projects being completed to bring

  success to their own developments.
- The City can build the Street Parks incrementally, generating revenue as the work progresses.
- The tenants can build activity on existing conditions and not have the risk of depending on future un-built development for the traffic they need to sustain themselves.
- The neighborhood will benefit from a measured and absorbable growth pattern that enhances the surroundings from the beginning.

CONCLUSION

LOW COST REHAB ACTIVITY GENERATION

By initiating low cost rehabilitation of existing buildings like the 50,000 SF truck maintenance building , a stout concrete building that has more than eighteen drive-through bays with high coffered ceilings that support more than 85 cars, for a wide variety of uses such as indoors farmers market, start up alternative energy fabricators, Westside rebuilding center, beer and wine distributor and a variety of other functions too large for ActivSpace and too small for an industrial park. Conway could:

- Jump start activity in the district at low cost that could lead to future development.
- Establish a reputation as a sustainable developer.
- Stimulate future development activities and jobs by creative entrepreneurs.
- Help justify PDC assistance for future endeavors.

New businesses moving into these buildings will help set the tone for the neighborhood, bring new people on to the site and support the early phases of development with the street parks and anchor retail. Reusing these buildings is a sustainable way to begin the transformation of the neighborhood

.

SUSTAINABILITY

In addition to achieving LEED-ND certification for the neighborhood, we believe that the true test of sustainability is whether or not a neighborhood has developed that is a good investment for Conway, the developers, the City and provides a thriving, growing , dynamic place for people to live, work and play. Our strategy is developed with this as a guideline and we believe that we have proposed a project that will meet this goal. By approaching development on the Con-way Blocks with this strategy, Conway Commons will be an asset to Con-way, developers, residents, retailers, neighbors, the City of Portland, and the wider metropolitan area.

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Susan Steward, BOMA

Matt Thompson, Hoffman Construction Co

TEAM PROFILE

Will Macht

Will Macht is an Adjunct Professor of Urban Studies & Planning who formulated and has taught the Real Estate Development I and II and the Development Workshop classes for over 30 years. He has also taught development classes at the University of Oregon Architecture School and has written over 100 articles and book chapters for Urban Land magazine for the Urban Land Institute. A former attorney and aide to Sen. R.F. Kennedy, Professor Macht formerly served as a development director for the Rouse Company in its new city of Columbia, MD and has developed a number of historic and mixed-use projects in the Portland/ Vancouver area.

Scott Aster

Scott is a student in Portland State University's Graduate Real Estate Development Program and is also just completing his Masters in Business Administration with a focus in finance. Prior to attending PSU Scott was a building contractor and operated a successful home building business. Upon completion of his studies Scott seeks to become a real estate investor and make a career out of owning and managing residential rental properties. Scott obtained a Bachelor of Arts in economics/accounting from Claremont McKenna College in 2002 and worked in a CPA firm prior to entering the real estate industry.

Jason Clough

Jason is enrolled in PSU's Graduate Certificate in Real Estate Development and has over seven years of experience in the architecture and planning industries. Over this time he has helped design and manage a wide variety of projects that include large-scale transportation, medical and retail facilities. Notable former clients include the Port of Miami, American Airlines and Safeway, Inc. Jason received his undergraduate degree from Washington University in St. Louis and has a Master's of Architecture from Arizona State University. Jason currently works as an assistant in Investment Sales at Marcus and Millichap.

Amber Hyde

After graduating from the University of Redlands with a Bachelors Degree in Business, Amber started her career as a Research Analyst for Hanley Wood in the San Francisco Bay Area. Relocating to Portland she spent eight years at Knowledge Learning Corporation and prior to leaving, was Director of Real Estate Planning and Analysis where she managed the strategic growth and development of new stores. While currently a student in the Graduate Real Estate Certificate Program, Amber is working part-time for residential real estate agent and commercial investor.

Susan Poss

Susan has over twenty years of experience in the architecture and planning industries having been involved in the design and construction of housing, education, corporate and master planning projects. She has been on the Board of the Architecture Foundation of Oregon for the past six years as president for two years and with on-going involvement in the Statewide Issues Task Force and Communications. She is currently teaching design at the University of Oregon, Portland Center. Susan has a Master of Architecture degree from Harvard University and a BA in economics from the University of Vermont.

Michael Shall

Michael recently completed his Masters in Business Administration with a focus in finance this past June, and is finishing up the Graduate Certificate in Real Estate Development this September. Michael's background is in business, information technology, and new business launch. He received a BS in Business Administration from The Ohio State University. Michael used his investment in a rental property as the motivation to pursue a career in real estate. Michael is currently working on starting a property auction company and filing a patent.

Kyle Palmer

Kyle is currently a full time student at Portland State. He is working towards a degree in Real Estate Development. Kyle is relatively new to the Portland area, having moved here after completing a term of service in Americorps in eastern Washington. He plans on starting his own business after graduating next year. He received a B.A. with concentrations in Business, Psychology, and Political Science from Washington State University.